Shared Responsibilities

2015 Annual Report and 2016–2018 Service Plan

WorkSafeBC

Strategic Foundations of WorkSafeBC

WorkSafeBC (the Workers' Compensation Board of British Columbia) is a statutory agency governed by a board of directors appointed by the provincial government. We provide coverage to 2.26 million workers and more than 225,000 registered employers throughout B.C., and are funded through insurance premiums paid by employers and investment returns. In administering the *Workers Compensation Act*, WorkSafeBC is accountable to the public through the provincial government, which is responsible for protecting and maintaining the overall well-being of the workers' compensation system.

Our vision

British Columbians free from workplace injury, disease, and death

Priorities of the Board of Directors

- Eliminate serious injury and death in the workplace
- Improve return-to-work outcomes and prevent avoidable disability
- Maintain an effectively operating business
- Maintain a system with long-term sustainability that contributes to the societal benefits envisaged by the historic compromise
- Respond effectively to changing social and economic realities

Our mission

- Champion safe and healthy workplaces
- Save lives and prevent injury and disability
- Deliver outstanding service to workers and employers
- Provide and support excellent medical and rehabilitative care to workers
- Preserve the financial integrity and sustainability of the system
- Learn, lead, and share

Shared values

As an organization and as individuals, we make decisions and take action based on these values:

Service
Making a difference one human being at a time

Integrity
Doing the right thing

Accountability
Being open and transparent

Partnership
Collaborating for success

Innovation
Challenging complacency

Our goals

(For more information, see page 26)

1. Foster the improvement of occupational health and safety in workplaces and communities
2. a. Improve service to stakeholders — improve return-to-work outcomes, disability prevention, overall customer service, accessibility, and public confidence
   b. Improve service to stakeholders — improve adjudicative decision making throughout the organization, ensuring stakeholders receive their full legal entitlements
3. Maintain the cost-effectiveness and accountability of the services WorkSafeBC delivers
4. Maintain financial security, sustainability, and stability

WorkSafeBC 2015 Annual Report and 2016–2018 Service Plan

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About WorkSafeBC

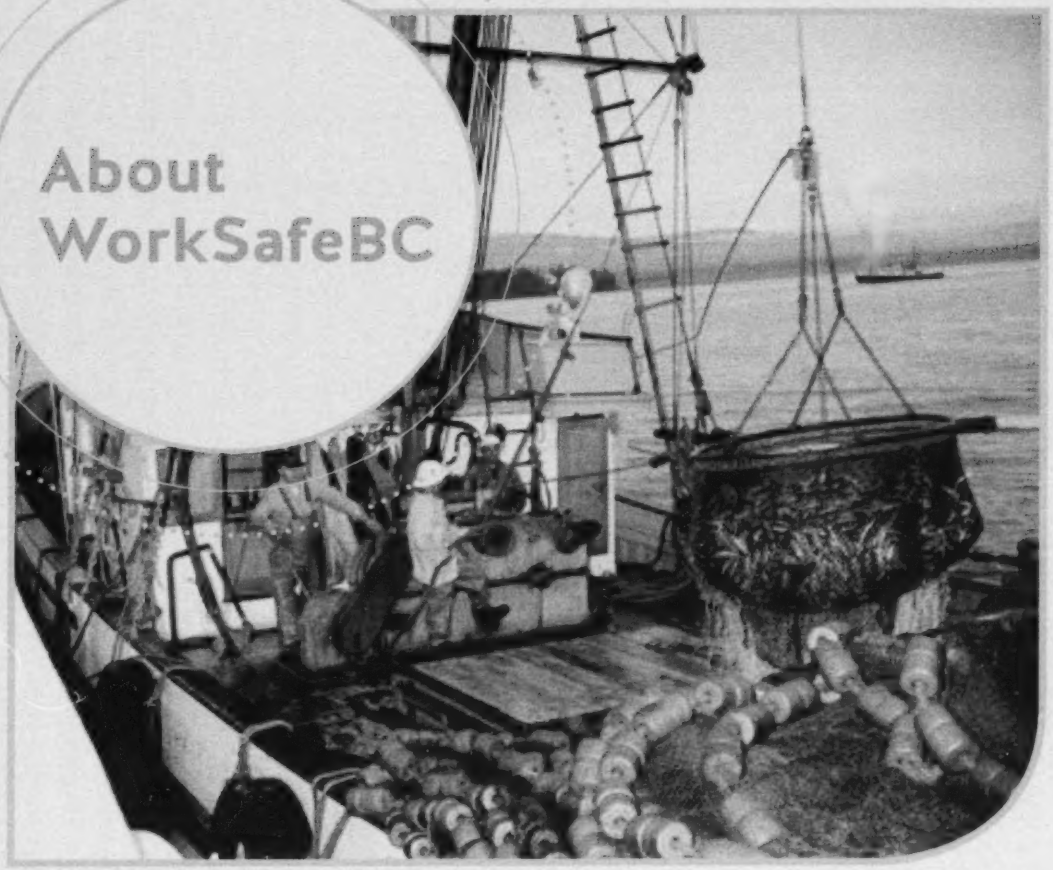


Image I-29309 courtesy of the Royal BC Museum and Archives

Since 1917, we have been dedicated to the reduction and eventual elimination of work-related injury, disease, and death in B.C. workplaces. When workers across British Columbia get sick, injured, or killed on the job, WorkSafeBC is committed to easing the physical, financial, and psychological burden on them and their families.

With legislated responsibility for establishing and enforcing occupational health and safety standards, we are committed to making a difference to the people of British Columbia — one worker, one employer, one workplace at a time. To meet these responsibilities, WorkSafeBC focuses on the following areas:

Preventing workplace injury and death

Our vision is to keep workers and workplaces safe and secure from injury, disease, and death. In support of this, we establish standards and guidelines for occupational health and safety practices; educate and consult with workplace stakeholders; raise public awareness; and build partnerships with industry safety associations, unions, and other key stakeholders to improve health and safety in B.C. workplaces. We also have legislative authority to monitor compliance with occupational health and safety law and regulation; investigate serious incidents; and, in certain cases, levy financial penalties or other sanctions against employers for safety infractions.

Compensating and rehabilitating injured workers

When work-related injuries and illnesses do occur, WorkSafeBC makes entitlement decisions about compensation benefits. We administer health care and wage-loss benefits, permanent disability benefits, and survivor benefits. We also work with external partners to rehabilitate injured workers and return them to safe, lasting employment.

Maintaining the system's financial sustainability

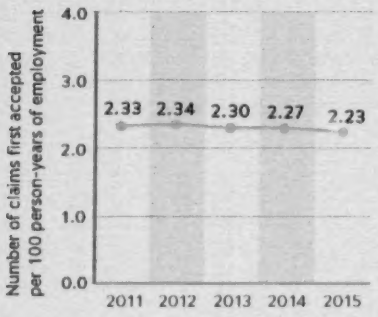
WorkSafeBC assesses and collects employer premiums and invests those funds to cover current and future costs of compensation benefits, as well as the costs of prevention activities and administering the workers' compensation system. We are committed to sound financial management, with programs and strategies in place to manage costs and investment returns to maintain the long-term financial sustainability of the system.

Ensuring ethics and integrity are paramount

Within WorkSafeBC, ethics and integrity govern our daily work. Internally, we use various means to maintain checks and balances to ensure fairness in everything we do. As the first level of appeal, our Review Division provides a simplified and flexible process for obtaining an independent review of specific decisions. Our Fair Practices Office serves as an independent and impartial source of assistance for individuals navigating the workers' compensation system. As much of the information our team deals with is confidential, we have an office dedicated to ensuring we meet our obligations under the *Freedom of Information and Protection of Privacy Act* (FIPPA). We also have an Internal Audit department that supports the Board of Directors, Audit Committee, and senior management by providing independent and objective assurances. Our Board of Directors comprises a broad representation, including B.C.'s worker, employer, public interest, health and safety, legal or law enforcement, and health care/ rehabilitation communities.

Operational Highlights

Provincial injury rate



A reduction of the provincial injury rate[1] of just 1 percent results in approximately 500 fewer injured workers. See page 30.

Top five incident types

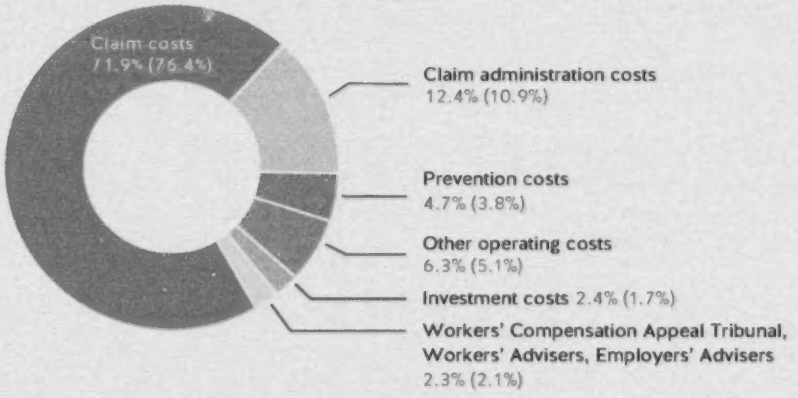
	2014	2015
Overexertion, bodily motion	41.6%	41.0%
Struck by	14.9%	14.9%
Fall on same level	11.9%	11.5%
Fall from a height	8.3%	8.9%
Struck against	6.3%	6.6%

Premium rates

Rates were discounted in order to return an accumulated surplus (mainly from excess investment earnings and lower-than-forecast claim costs) and capped to minimize cost volatility to employers. See page 63.

Allocation of 2015 expenses (2014)

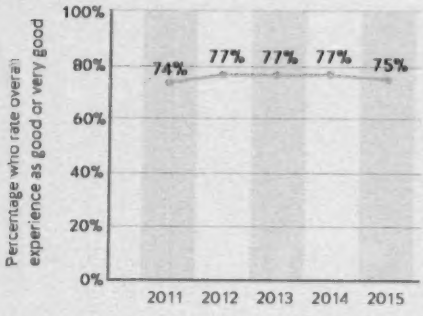
The majority of our expenses are made up of claim and claim administration costs, including compensation payments to injured workers and/or their families, health care costs, and rehabilitation costs. Remaining costs are general operating costs to administer the *Workers Compensation Act*. See Management Discussion and Analysis, pages 66–69, for further information on expenses.



Financial strength

The primary indicator of WorkSafeBC's financial strength is total assets held as a percentage of a specific target asset level. As set by our Board of Directors, the target level ensures sufficient capital reserves for the security of future worker benefits. See page 47.

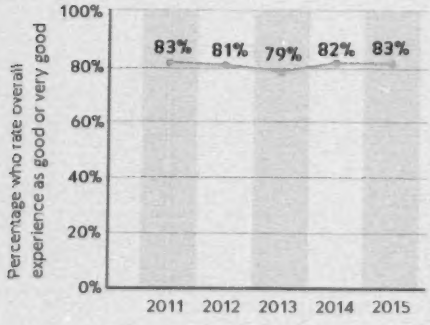
Service to injured workers



WorkSafeBC looks to deliver responsive and caring service that meets or exceeds the expectations of injured workers. See page 40.

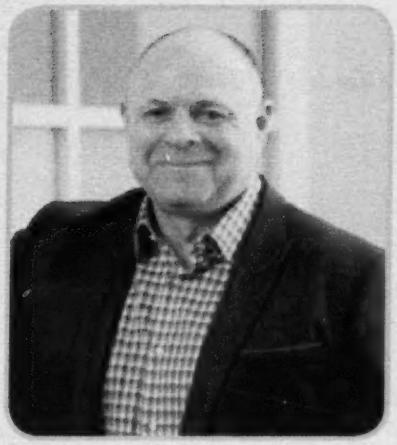
> "They were very friendly and very effective in getting things done, helping me understand the process, and getting me back to work."
>
> — Surveyed worker, restaurant industry, injured January 2015

Service to employers



We are committed to providing excellent customer service to employers through our core functions of prevention, assessment, and compensation. See page 42.

> "They are really professional and quick to respond to questions. They listen and hear my point of view. Positive experience overall."
>
> — Surveyed employer, health care and social services large, high-risk employer



Message from the Chair, Board of Directors

In 2015, I was honoured to be appointed as Chair of the WorkSafeBC Board of Directors. In my new role, I am pleased to be working with fellow board members, the executive, and the workers and employers of the province to champion safe and healthy workplaces.

Our workers' compensation system provides coverage for 2.26 million workers and more than 225,000 registered employers throughout the province. While the employers and workers tell us they are generally satisfied with the services they receive, our challenge as an organization is to continuously improve those services and respond to changing methods of work and the needs of the workplace.

In 2015, changes to the *Workers Compensation Act* were introduced to strengthen our ability to ensure occupational health and safety compliance in B.C.'s workplaces (see pages 10 and 31). These amendments also expanded the composition of our Board of Directors, adding two new director roles representing occupational health and safety and law enforcement.

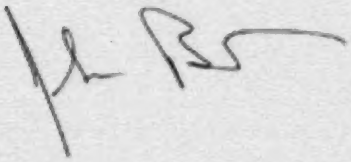
In September, individuals with significant expertise in these areas, Brooks Patterson and Jim Cessford, joined our Board.

WorkSafeBC benefits from the many perspectives brought to the board table. The competence, diversity, and commitment represented in the Board of Directors are vitally important to the ongoing health of our system and in providing sound governance for the organization.

The year also saw the conclusion of the term of long-standing board member and Chair George Morfitt, who made a valuable contribution to the betterment of the workers' compensation system and served the workers and employers of British Columbia with dedication and leadership for 10 years.

As we plan for 2016 and into the future, our commitment is to maintain the financial stability and operational effectiveness of the system while working productively with our stakeholders to ensure we are well-positioned to deliver on our shared vision — a province free from workplace injury, disease, and death.

Sincerely,



John Beckett
Chair, Board of Directors
WorkSafeBC

In conversation with the President

Q: What were some of the highlights for overall results in 2015?

Thanks to the efforts of all workplace parties, British Columbia's injury rate at 2.23 is at a historic low.

For workers who are injured, we remain focused on supporting their recovery and early and safe return to work. In 2015, our results for helping injured workers get back to work within 26 weeks improved. This result was helped, in part, by the commitment of B.C.'s employers and workers to partner with us and through a focus on early intervention and best practices. Our commitment to improve our services to those who are seriously injured and referred to our Vocational Rehabilitation Services department saw further success in 2015, achieving an 81 percent return-to-work success rate.

As part of our commitment to service, we survey employers and injured workers throughout the year to learn about their experience with us. In 2015, survey results remained stable with 83 percent of employers and 75 percent of injured workers rating their experience with us as good or very good.

Financially our status is strong, and we saw both positive investment returns and reduced claim costs due to improved return to work for injured workers. At $1.70 per $100 of employer assessable payroll, the base premium rate for employers remains unchanged as we move into 2016.

Q: How is WorkSafeBC positioned to ensure the future sustainability of the workers' compensation system?

Meeting the needs of those we serve and ensuring our finances are in good order today and for the long term remains our focus. In 2015, we achieved an asset level sufficient to fund all future payments for current claims. We also maintain a strong capital reserve that allows us to dampen volatility in the base premium rate when necessary without impacting our ability to fund the system. Investing in a balanced portfolio allows us to generate required returns at an acceptable level of risk over the long term. This approach enables us to better manage changes in fluctuating markets and ensure we are well placed to meet the needs of injured workers.

These and other strategies, as outlined in this annual report, sustain a system that has been part of British Columbia's history for almost 100 years.

Q: In 2015, the B.C. Coroner's Service conducted two inquests into the 2012 deaths of four workers in two separate fire and explosion incidents in sawmills in Burns Lake and Prince George. What is WorkSafeBC's response to the recommendations?

In May and July 2015, the B.C. Coroner's Service released the jury findings and recommendations into the tragic deaths of Alan Little, Glenn Roche, Robert Luggi Jr., and Carl Charlie, who died as a result of two separate fire and explosion incidents in 2012. The events in these mills were devastating. Workers, their families, and the respective communities were deeply affected by these tragedies. The inquests in Prince George and Burns Lake provided an opportunity for those impacted, to be heard. WorkSafeBC participated fully in both inquests, along with a number of other agencies. With the goal of doing everything possible to avoid tragedies like this from happening again, inquests should — and do — ask difficult questions.

A number of recommendations were directed to WorkSafeBC. Where we have the authority to make change, we are doing so. In the exceptional case where we do not have the jurisdiction, we are making every effort to live up to the spirit of the recommendations.

Q: What is the status of WorkSafeBC's implementation of recommendations from the *2014 WorkSafeBC Review and Action Plan*?

In July 2014, the *WorkSafeBC Review and Action Plan*, prepared by Gordon Macatee, was submitted to the WorkSafeBC Board of Directors and the Minister Responsible for the *Workers Compensation Act* (the Act). The report contained 43 recommendations focused on effective investigations, safety in B.C.'s sawmills, best practices in organizational structure, implementation of a world class inspection and investigation regime, and the appointment of a new president and chief executive officer. The recommendations were accepted by WorkSafeBC and the Minister. Work has been underway since then to implement them.

As of December 31, 2015, the majority of recommendations were implemented. Implementation Status Reports have been posted to WorkSafeBC's website.

Q: In 2015, the Government of British Columbia introduced amendments to the *Workers Compensation Act* (Bill 9 and Bill 35) to address recommendations from the *WorkSafeBC Review and Action Plan* and the two Coroner's Inquests. How do the changes impact workplace safety?

Together these amendments strengthened British Columbia's health and safety system. The amendments strengthen our ability to promote and enforce occupational health and safety compliance in B.C.'s workplaces, providing expanded stop-work and stop-use powers, expanded responsibilities for employer investigations and reporting, and due diligence requirements, in addition to strengthening injunctive powers. As well, the amendments introduced two new enforcement tools: compliance agreements and Occupational Health and Safety (OHS) Citations.

The amendments provide our prevention officers with a broader range of tools to motivate compliance and address health and safety concerns faster and more effectively.

As well, the changes address the reporting of workplace fires or explosions, the role of joint OHS committees, the participation of employer and worker representatives, and information sharing on employer incident investigations, while establishing a more proactive role for WorkSafeBC in resolving disagreements on health and safety matters at joint committees.

Our work implementing changes to Policy and the OHS Regulation, new practice directives and training for prevention officers, new guidelines and educational material for workplace parties, and work to communicate and implement these amendments is well underway.

Q: What lies ahead in 2016?

Through the collective efforts of employers, workers, industry associations, unions, other agencies, and WorkSafeBC, significant progress in workplace health and safety has been made in our province over the years. The unfortunate reality is we continue to see workers losing their lives to injury and disease and many others whose lives are changed because of a workplace incident.

There is more work to be done in the year ahead as we make use of the new tools and resources resulting from amendments to the Act.

In addition to our high-risk prevention strategies in key industries (see page 31), there are a number of priorities to be addressed in 2016 and beyond. Occupational disease remains the leading cause of death among B.C.'s workers — with asbestos, particularly, a focus for us. Violence in health care is a serious concern and will be a priority as we work with stakeholders, like SafeCare BC, to further enhance health and safety within this industry (see page 46). Through prevention initiatives and service enhancements to workers who experience psychological injuries, we will continue focusing on mental disorders relating to the workplace. Finally, facilitating recovery and return to work following a workplace injury remains a priority; accordingly we will be developing enhanced tools and initiatives.

I have been privileged to lead the dedicated staff of WorkSafeBC through another year and would like to acknowledge the hard work and commitment they bring to their work and our shared goals.

In 2016, we will continue enhancing our strategies and partnering with key stakeholders to improve health and safety in British Columbia's workplaces. Our goal to provide outstanding service to those we serve remains a foundation for all the work we do.

Governance — WorkSafeBC Board of Directors*

John Beckett

Chair
CRSP, CHRP, MBA

Appointed Chair December 2015

(Director since January 2015)

Vice-president of BC Maritime Employers Association; past adjunct professor at UBC and BCIT; Canadian Centre for Occupational Health and Safety board member; member of the federal Occupational Health and Safety Advisory Committee

Tazeem Nathoo

Vice-chair

Public interest representative
ICD.D

Appointed November 2010

Corporate director, executive coach, and senior consultant with Western Management Consultants

Lillian White

Employer representative
CPA, CGA

Appointed January 2015

President of Treen Safety; former vice-president for Gordon Food Service; chair of the Finance and Audit Committee for Columbia Power Corporation; treasurer of the Canadian Society of Safety Engineering Lower Mainland Chapter; and past chair for BC Assessment

Lynn Bueckert

Worker representative

Appointed January 2015

Director, assistant to the president with the BC Federation of Labour (BCFED); former director of occupational health and safety with the BCFED

***The terms for the following board members ended in 2015: Phillip Legg, worker representative (January 3); Joe Lindgren, employer representative (January 3); George Morfitt, chair (November 30); and Rick Roger, vice-chair and public interest representative (January 2).**

Alan Cooke

Actuary
FCIA, FSA

Appointed December 2012

Former principal at Mercer; trustee of the Healthcare Benefit Trust; director of the Canadian Institute of Actuaries; former chair of the International Section of the Society of Actuaries

Margaret McNeil

Health care representative
BscN, MscN

Appointed December 2014

Chief executive officer of Canuck Place Children's Hospice; former vice-president Operations at BC Housing; senior roles with the Vancouver Island Health Authority and the BC Ministry of Health

Brooks Patterson

Occupational health and safety representative
CRSP

Appointed September 2015

Safety manager for NorLand Limited (formerly the Pacific Group of Companies); past chair of the BC Construction Safety Alliance; and secretary/treasurer of SkillPlan

Jim Cessford

Regulator/legal representative
M.O.M.

Appointed September 2015

Former chief of the Delta Police Department; former president of both the Municipal Chiefs of Police and the BC Association of Chiefs of Police

Diana Miles

President and
Chief Executive Officer
BA, CHRP

***Ex officio* member**

Former WorkSafeBC senior vice-president, Worker and Employer Services; senior management positions in the private sector; governor of the Canadian Centre for Occupational Health and Safety

Duties

In accordance with the *Workers Compensation Act* (the Act), the Board of Directors must:

- Set and revise, as necessary, the policies of the Board of Directors, including policies respecting compensation, assessment, rehabilitation, and occupational health and safety
- Set and supervise the direction of WorkSafeBC
- Select the president of WorkSafeBC and determine the president's functions
- Approve the operating and capital budgets of WorkSafeBC
- Establish policies and accounting systems to ensure adequate funding of the Accident Fund
- Approve major programs and expenditures of WorkSafeBC
- Approve the investment of WorkSafeBC funds in accordance with requirements imposed under the Act
- Plan for the future of WorkSafeBC
- Enact bylaws and pass resolutions for the conduct of WorkSafeBC's business and the functions of the Board of Directors, including enacting bylaws regarding the manner in which the policies of the Board of Directors are to be published
- Each year, provide the Minister Responsible for Labour with a service plan that addresses the three-year period starting on January 1 of that year and achieves the following:[2]
  - Sets out WorkSafeBC's priorities
  - Identifies specific objectives and performance measures for WorkSafeBC
  - Provides a fiscal forecast for WorkSafeBC, including a statement of all material assumptions and policy decisions underlying the forecast
  - Compares actual results with expected results identified in the previous year's service plan
  - Presents other information WorkSafeBC considers appropriate

Priorities of the Board of Directors[3]

- Eliminate serious injury and death in the workplace
- Improve return-to-work outcomes and prevent avoidable disability
- Maintain an effectively operating business
- Maintain a system with long-term sustainability that contributes to the societal benefits envisaged by the historic compromise
- Respond effectively to changing social and economic realities

Committees

In 2015, the Board of Directors held nine meetings. Board committees met as follows:

- Audit Committee — seven times
- Human Resources and Compensation Committee — four times
- Policy, Regulation, and Governance Committee — five times

Decisions

The Board of Directors makes decisions on policy and regulation affecting the workers and employers of British Columbia. Board decisions can affect the premium rates employers pay and the level of benefits workers receive. As part of its commitment to remaining open and accountable to its stakeholders and the general public, WorkSafeBC posts decisions and formal resolutions at www.worksafebc.com/regulation_and_policy/policy_decision/board_decisions/default.asp.

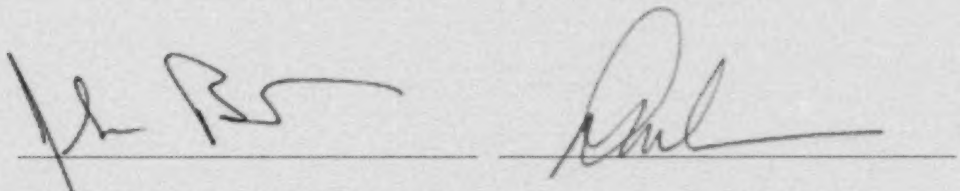
Accountability

This *2015 Annual Report and 2016–2018 Service Plan* was prepared under our direction in accordance with the *Workers Compensation Act*. WorkSafeBC is accountable for the results achieved, selecting the performance indicators, and how our performance has been reported.

The information contained in this document reflects WorkSafeBC's actual performance for the 12 months beginning January 1, 2015 and ending December 31, 2015. All material fiscal assumptions and policy decisions up to April 21, 2016, have been considered in developing this publication.

This annual report and service plan presents a comprehensive picture of our actual performance against targets set in the *2014 Annual Report and 2015–2017 Service Plan*. It also includes estimates and significant interpretive information representing the best judgment of WorkSafeBC management. The indicators reported are consistent with the organization's mission, goals, and objectives, and focus on aspects critical to understanding WorkSafeBC's performance. We are responsible for ensuring WorkSafeBC's performance information is measured accurately and in a timely manner. Any significant limitations in performance data reliability have been identified and explained. This report and service plan has been prepared in accordance with the BC Reporting Principles[4] (see page 22) and is intended for a general audience. More detailed information about WorkSafeBC is available at worksafebc.com.

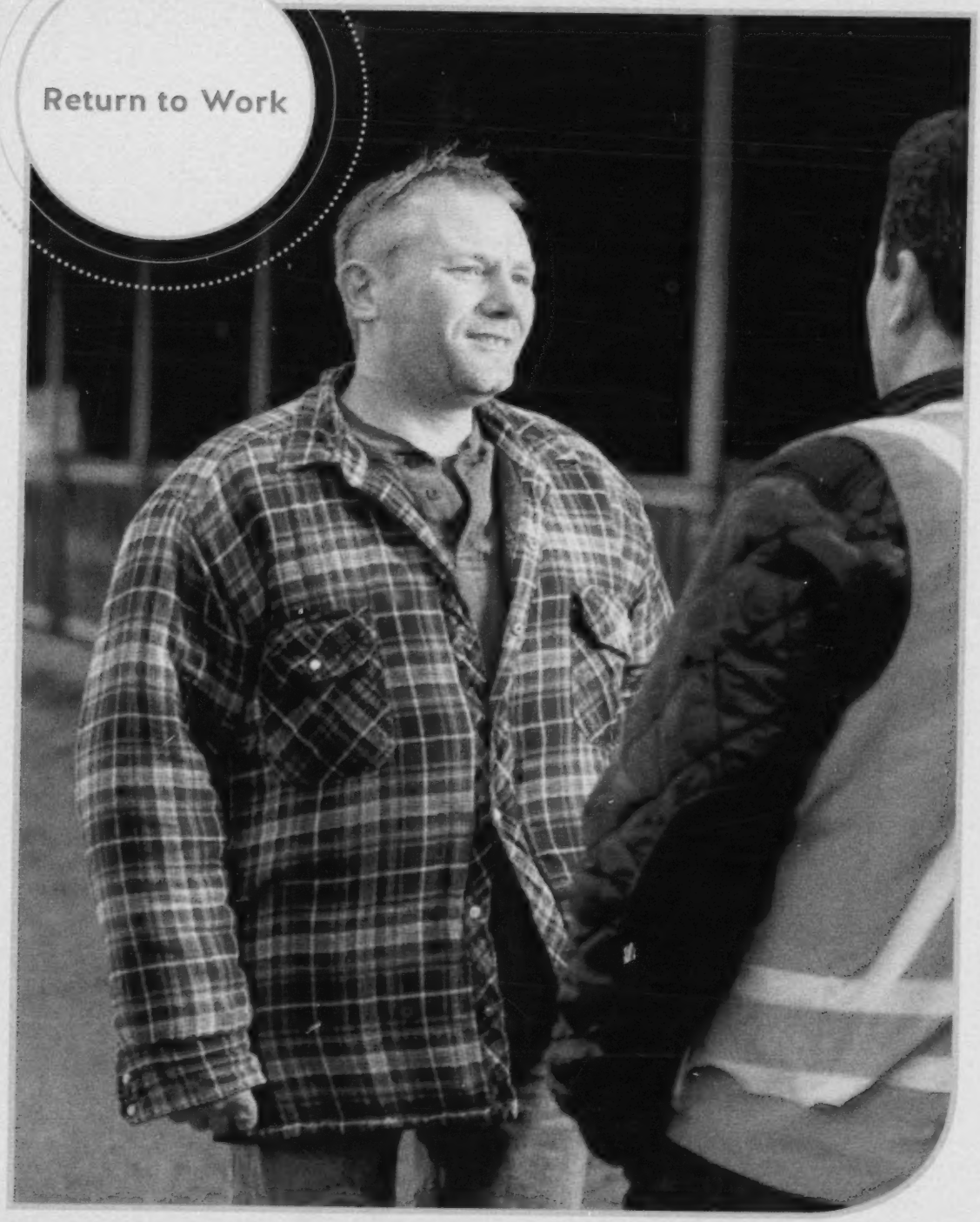
On behalf of the Board of Directors and management of WorkSafeBC,



John Beckett, CRSP, CHRP, MBA
Chair, Board of Directors
WorkSafeBC

Diana Miles, BA, CHRP
President and Chief Executive Officer
WorkSafeBC

Return to Work



WorkSafeBC's Amputee Program helps pave the way back to work for Rick Krahn

Life can turn on a dime; something dairy farmer Rick Krahn knows all too well. In 2010, his coveralls got caught in a forage harvester — a powerful piece of equipment used at his family's farm in Abbotsford. His life changed dramatically.

Rick had his right leg amputated above the knee. He also lost three fingers and part of his thumb on his right hand — a devastating and life-altering result for Rick and his family. After just weeks in the hospital, he started talking about getting back to work at Birchwood Dairy Farm, "I could hardly wait to get back," Rick says. "I liked my job that much."

With the help of WorkSafeBC's Multidisciplinary Amputee Program and his lifelong passion for dairy farming, Rick started the recovery process that would eventually return him to work — but this was no easy feat. There was a long and grueling recovery period ahead.

As the name implies, the Multidisciplinary Amputee Program takes a holistic approach to workers' rehabilitation. The adjustment process for injured workers like Rick, involved a team of physiatrists, physiotherapists, occupational therapists, and psychologists all of whom were focused on one goal — safely getting Rick back to the job he loved.

"Suffering the loss of a limb is traumatic," says WorkSafeBC case manager Joe Stimac. "But limb amputation does not equate to the end of everything you used to enjoy. We are here for a worker to support them in reengaging in work and life." Rick needed help from WorkSafeBC to make equipment modifications. From there, he learned to drive tractors, bobcats, and a John Deere gator. He's now back to doing most of the tasks he did before. "WorkSafeBC has been behind me from the get-go, from helping me prepare mentally to get back into the game right through to providing the tools and the support to get me back to the job," says Rick.

Rick's story shows just how devastating workplace injuries can be. It's also just one example of how WorkSafeBC is committed to maximizing injured workers' functional recovery and helping them get back to productive employment, a successful future, and a full life.

WorkSafeBC collaborates with employers and other stakeholders to help workers like Rick with life-altering injuries get back to work and to life. Together, they take a holistic, individualized approach to each and every injured worker. "I feel very proud to get back to the job I love," Rick says, "and WorkSafeBC provided the tools and support to do that."

Financial Context

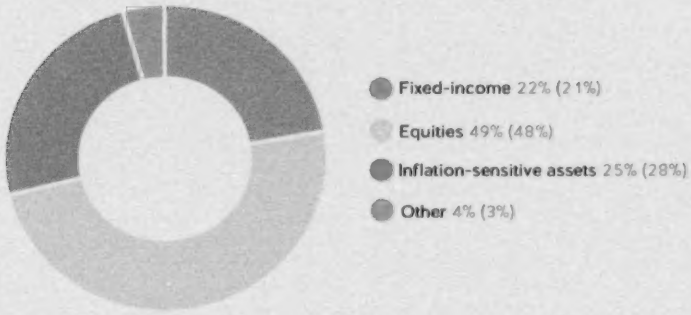
The financial information in this annual report and service plan conforms to the audited consolidated financial statements, except for additional financial information based on the smoothed accounting[5] approach (as noted).

In accordance with International Financial Reporting Standards (IFRS), our consolidated financial statements reflect the market value of investments and fair value of post-employment employee benefit plan assets and liabilities at the end of the reporting year (fair value accounting). They provide a point-in-time reading of financial assets and liabilities. Short- and long-term financial market fluctuations are reflected.

To avoid rate fluctuations generated by financial market volatility, WorkSafeBC sets premium rates using smoothed accounting. It amortizes investment income and actuarial gains or losses relating to WorkSafeBC's employee benefit plan assets and liabilities over a five-year period. Under smoothed accounting, the effect of capital market volatility on financial results is moderated. This approach considers the unique business requirements of Canadian workers' compensation systems — including the need for pricing stability (for employer premium rates) and benefit sustainability (for injured workers and their dependants).

A 10-year summary table (unaudited), prepared based on the smoothed accounting approach, is available at www.worksafebc.com/publications/reports/annual_reports.

Portfolio investments asset allocation 2015 (2014)



The investment portfolio is diversified, with a long-term objective to earn a return sufficient to cover claim liabilities.

Prudent investment promotes sustainability

To ensure the long-term financial sustainability of the workers' compensation system in B.C., the *Workers Compensation Act* stipulates that present and anticipated future costs arising from an injury in a given year should be collected through assessments on employers whose accounts are active in that year. WorkSafeBC also seeks to promote the sustainability of the workers' compensation system through prudent investment of the Accident Fund.[6] The primary determinant of the Accident Fund's risk and expected return is the asset mix of its investment portfolio; this is determined by our Board of Directors with the advice of an Investment Committee that includes five independent external investment experts, and WorkSafeBC's president and chief executive officer, chief financial officer, and Audit Committee chair. The Investment Committee's long-term objective is to earn a real rate of return (the rate of return over inflation) of 3.5 percent — slightly higher than the 3.0 percent discount rate used to determine the fund's actuarial liability.

The Board of Directors regularly reviews and updates a statement of investment policies and goals for the investment portfolio. Among other objectives, this document sets out an asset allocation policy to guide investment strategies. See the Management Discussion and Analysis section on page 65 for further information on the investment portfolio asset allocation.

Funding policy offers protection

We have a Capital Adequacy Reserve to address the organization's long-term capital requirements. The reserve offers greater security for worker benefits and reduces premium rate volatility by strengthening the organization's ability to withstand economic and demographic uncertainties (see Note 11 of the consolidated financial statements, page 120).

WorkSafeBC's financial strength can be assessed using two main indicators. The primary indicator is the ratio of total assets to a specific target asset level as defined in key performance indicator (KPI) #8, page 47. This indicator, unique among Canadian workers' compensation organizations, tracks our ability to withstand the impact of large financial shocks, such as the stock market losses of 2008 and 2011. At the end of 2015, this indicator was at 100 percent (2014: 97 percent) of the target asset level. The goal for this indicator is 100 percent of the target asset level. The second indicator determines the funding level, or ratio of assets to liabilities, an indicator of financial strength used by other workers' compensation boards in Canada (see Appendix A, page 133). At year-end 2015, WorkSafeBC's funding level was 138 percent.

Our
Performance

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Workers' Compensation Board of British Columbia, and
To the Minister of Jobs, Tourism and Skills Training and Minister Responsible for Labour, Province of British Columbia

I have audited the *2015 Annual Report and 2016-2018 Service Plan* (the annual report) of the Workers' Compensation Board of British Columbia (WorkSafeBC) to assess whether performance has been fairly presented in accordance with the BC Reporting Principles for the year ended December 31, 2015. The eight BC Reporting Principles outline the characteristics of good performance reporting and were endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts in 2003 for use by public sector organizations in British Columbia. This annual report is the responsibility of WorkSafeBC's management. My responsibility is to express an opinion on this annual report based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Accordingly, I planned and performed an audit to obtain reasonable assurance that the BC Reporting Principles have been incorporated in the annual report. My audit included examining, on a test basis, evidence supporting the amounts and disclosures in the annual report and assessing significant estimates underlying reported performance.

I have audited the entire annual report to assess whether it has been prepared in accordance with the BC Reporting Principles. A separate audit, to determine if WorkSafeBC's financial statements have been prepared and reported in accordance with International Financial Reporting Standards, was also conducted. My opinion is provided on page 77.

As called for by the BC Reporting Principles, the annual report contains a number of representations from management concerning the appropriateness of the goals, objectives, and targets established by WorkSafeBC, explanations of the adequacy of planned and actual performance, and expectations for the future. Such representations are the opinions of management and inherently cannot be subject to independent verification. Therefore, my examination was limited to ensuring the report contains those representations called for by the BC Reporting Principles and that they are consistent with the audited performance information and financial statements.

In my opinion, this annual report fairly presents, in all significant respects, the performance of WorkSafeBC for the year ended December 31, 2015, in accordance with the BC Reporting Principles. The following appendix contains details supporting my conclusion for each of the BC Reporting Principles, and is an integral part of my opinion.

Carol Bellringer

Victoria, British Columbia
April 22, 2016

Carol Bellringer, FCPA, FCA
Auditor General

Detailed Observations

Principle 1 – Explain the Public Purpose Served

The report explains WorkSafeBC's public purpose, enabling legislation, and mission. Core business areas, services, clients, and stakeholders are described, as is the role of partners. The report explains WorkSafeBC's governance structure and external accountabilities. The report outlines WorkSafeBC's values that guide its service delivery (guiding principles and premises).

Principle 2 – Link Goals and Results

The report explains the chain of events from mission to goals, objectives, and strategies through to key performance indicators. The relevance of these indicators is explained in the context of WorkSafeBC's goals and objectives, and in relation to issues of concern to an external audience (the public and legislators). Performance measurement focuses on outcomes in the short and long term, explaining how short-term achievements impact long-term results. Variances between planned and actual results are explained and related to expectations and plans for the future.

Principle 3 – Focus on the Few, Critical Aspects of Performance

The report states why goals, objectives, and 10 key performance indicators are important to WorkSafeBC and to an external reader. The performance information provides a clear and concise performance story. Key results are clear and apparent.

Principle 4 – Relate Results to Risk and Capacity

The report summarizes key risks and capacity issues in relation to each key performance indicator, their impact on results, and strategies for dealing with them in the future. Issues related to organization-wide financial, infrastructure and technology risks and capacity are discussed separately.

Principle 5 – Link Resources, Strategies and Results

Revenue and expense variances are described as part of management's commentary on the financial statements. Costs are related to key business activities and goals. Planned and actual amounts are provided for key revenue and expense items. Critical measures of efficiency are identified — administrative efficiency is the focus of one key performance indicator, and operational financial performance is the focus of another.

Principle 6 – Provide Comparative Information

Actual performance is clearly reported in relation to the service plan. Current performance is graphically related to historic trends, and related to relevant industry benchmarks. Inconsistencies in trend data are fully explained, and future performance targets are explained in the context of current performance.

Principle 7 – Present Credible Information, Fairly Interpreted

I am providing an audit level of assurance that the data supporting the 10 key performance indicators is reliable. Systems to compile performance indicator data have been established and documented, although I do not provide assurance on the effectiveness of the control environment. The report is reasonably concise and specialized terminology has been largely avoided. I note, however, that key performance indicator #8, Achieve 100% of Target Asset Level, is inherently complicated and may be difficult for some readers of the report to understand.

Principle 8 – Disclose the Basis for Key Reporting Judgments

The report provides explanations for how key performance indicators are derived and the period to which data relates. WorkSafeBC's Chair and Chief Executive Officer have affirmed their ownership of the report, and their responsibility for ensuring the accuracy and timeliness of performance information. The report explains the importance and relevance of goals and objectives, and it discusses how targets are selected.

Our Performance

Measuring our performance

WorkSafeBC uses a set of objectives and associated key performance indicators (KPIs), identified by our Board of Directors, that allow us to track and benchmark our progress over time. These objectives and performance indicators guide our planning and decision making to help us meet our overall strategic goals (see page 26). Through the annual reporting process, they enable us to remain open and accountable to British Columbians.

These 10 KPIs reflect our commitment to reporting performance in terms of a balanced scorecard. By looking at both financial and non-financial indicators, we gain a more complete picture of our overall performance. Throughout the year, we monitor and assess each KPI, tracking our progress against targeted goals. Most indicators are updated monthly or quarterly, allowing us to adapt to changes and — when necessary — make corrective policy, program, or operational adjustments against targeted goals.

Consistency in measurement

Though some definitions and calculations have changed over time, eight of the 10 key performance indicators selected for this year's annual report and service plan have been used since 2003. The exceptions are KPI #2 (introduced in 2011) and KPI #8 (introduced in 2008). If an indicator changes after the annual report and service plan has been submitted to the Minister Responsible for Labour, the change is detailed in the following year's report.

Linking priorities and performance

This reporting year reflects the fourth year in our five-year strategic plan. Approved by WorkSafeBC's Board of Directors in 2011, *Safe Work & Outstanding Service* defines the broad strategies and actions for achieving our objectives while ensuring our efforts and resources align with established goals. The strategic

plan also affirms the values and commitments guiding our organization. The table on the following page outlines the linkages between and among KPIs to strategic goals in keeping with the Safe Work & Outstanding Service plan.

Annual target-setting

In setting our annual targets, WorkSafeBC looks to improve; however, in some cases, targets we set for future years may be the same or less favourable than levels achieved the previous year. This can happen when factors that contributed to past performance are no longer expected to continue. We consider factors such as historical performance, desired service levels, operational requirements, and resources available for achieving short- and long-term goals. We also look at environmental, economic, and other external factors that may affect performance, as well as our potential to manage or control those factors through processes, programs, and initiatives.

Forward-looking information

This annual report and service plan contains forward-looking information, including assertions regarding WorkSafeBC's anticipated performance. These assertions are subject to risks and uncertainties that may cause actual results to differ from those outlined in the forward-looking information. The Management Discussion and Analysis section includes a discussion of key strategic, financial, and operational risk factors affecting current and future performance.

Ensuring data reliability

Each year, our annual report is audited with the intention, in part, to verify the accuracy of our results and identify areas for improvement; this audit is in addition to the audit of our financial statements. For more information on the auditor's report, see pages 22 and 23.

Did you know?

WorkSafeBC has been providing service to the workers and employers of British Columbia for almost 100 years.

Comparing results over time

Each KPI cited in this report includes a comparison to past results. While criteria for measuring performance generally remain the same from year to year, to properly interpret results over time the overall operating environment must be considered. For this report, results have been compared from 2011–2015 with targets set for 2016–2018.

Comparing results with other workers' compensation organizations

In Canada, each workers' compensation organization uses different means to collect data and measure performance due to differing legal requirements, policies, goals, governing structures, and operating procedures. These variations can make it difficult to compare results from one jurisdiction to another or discern national trends. See Appendix A, page 131, for more information.

Linking Priorities and Performance

Our 2012–2017 strategic plan reflects refinements to previous strategic direction and provides updated priorities, goals, and objectives for WorkSafeBC. In choosing key performance indicators (KPIs) to measure our progress, the Board of Directors considers the following:

- Relevance of each indicator to WorkSafeBC's strategic goals
- Validity of the indicators (do they measure what they are intended to measure?)
- Availability and reliability of data
- Clarity, comprehensiveness, and transparency of the indicators
- Comparability, year-over-year

2012–2017 Strategic Plan*

Board of Directors — Priorities

- Eliminate serious injury and death in the workplace
- Improve return-to-work outcomes and prevent avoidable disability
- Respond effectively to changing social and economic realities
- Maintain a system with long-term sustainability that contributes to the societal benefits in keeping with the historic compromise
- Maintain an effectively operating business

Goals

Goal 1: Foster the improvement of occupational health and safety in workplaces and communities

Goal 2a: Improve service to stakeholders — improve return-to-work outcomes, disability prevention, overall customer service, accessibility, and public confidence

Goal 2b: Improve service to stakeholders — improve adjudicative decision making throughout the organization, ensuring stakeholders receive their full legal entitlements

Goal 3: Maintain the cost-effectiveness and accountability of the services WorkSafeBC delivers

Goal 4: Maintain financial security, sustainability, and stability

Operational objectives

- Preventing serious injury
- Championing return to work and preventing avoidable disability
- Providing outstanding customer service to workers and employers
- Learning, leading, and sharing
- Ensuring the long-term financial stability of the system
- Engaging and supporting the WorkSafeBC team

Key performance indicators (KPIs)

- Injury rate (number of claims first accepted per 100 person-years of employment) (KPI #1)
- Return to work
  -Improve the timeliness of safe, durable return to work for workers on short-term disability benefits (KPI #2)
  -Improve return-to-work outcomes for workers in vocational rehabilitation (KPI #3)
- Number of days required for WorkSafeBC to send first wage-loss payments to short-term disability claimants from the date of their disablement (KPI #4)
- Workers' survey results: injured workers' rating of overall experience (KPI #5)
- Employers' survey results: employers' rating of overall experience (KPI #6)
- Public Contribution Index: maintain or enhance a high level of public confidence (KPI #7)
- Proportion of issues leading to decision changes as a result of legal and/or policy errors [Review Division and Workers' Compensation Appeal Tribunal (WCAT) levels] (KPI #10)
- Annual administration costs per $100 of assessable payroll (KPI #9)
- Percentage of the target asset level achieved (KPI #8)
- Greenhouse gas emissions (reported in the Corporate Social Responsibility section)

*_Safe Work & Outstanding Service — WorkSafeBC's Strategic Plan 2012–2017_ (WorkSafeBC, December 7, 2011)
www.worksafebc.com/about_us/assets/PDF/StrategicPlan.pdf

Performance targets and results at a glance

Key performance indicator		2015 target	2015 result	2016 target	2017 target	2018 target
1. Reduce the provincial injury rate (number of claims first accepted per 100 person-years of employment)		2.40 or less	2.23	2.30 or less*	2.30 or less*	2.30 or less
2. Improve return to work (percentage of workers returning to work within 26 weeks from injury date)		81.0%	82.6%	82.0%*	82.0%*	82.0%
3. Improve return-to-work outcomes for workers in vocational rehabilitation (percentage of vocational rehabilitation clients who successfully return to work)		76.0%	81.0%	78.0%	78.0%	78.0%
4. Improve timeliness of initial short-term disability payments (number of days from disablement date to first payment)		18.0 days	18.1 days	18.0 days*	18.0 days*	17.5 days
5. Improve injured workers' rating of overall experience (percentage who rate overall experience as good or very good)		77% good or very good	75% good or very good	77% good or very good	77% good or very good	77% good or very good
6. Improve employers' rating of overall experience (percentage who rate overall experience as good or very good)		81% good or very good	83% good or very good	81% good or very good	81% good or very good	81% good or very good
7. Raise public confidence (percentage who rate WorkSafeBC's public contribution as somewhat or very positive)		90% or more	93%	90% or more	90% or more	90% or more
8. Achieve 100 percent of the target asset level (actual asset value as a percentage of target asset level)		93%	100%	97%*	95%*	95%
9. Control administration costs (administration costs per $100 of assessable employer payroll)		$0.52	$0.49	$0.51*	$0.50*	$0.49
10. Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy (proportion of claim issues leading to overturned decisions due to error in application of law and/or policy)	Review Division	2.0% or less	0.4%	2.0% or less	2.0% or less	2.0% or less
	Workers' Compensaion Appeal Tribunal (WCAT)	2.5% or less	1.0%	2.5% or less	2.5% or less	2.5% or less

***Targets for years 2016 and 2017 have been adjusted from those published in the *2014 Annual Report and 2015–2017 Service Plan*.**

Partnership a safety boost for BC Tree Fruits

Bob Fisher-Fleming, human resources manager of BC Tree Fruits, freely admits that his organization isn't perfect. So in 2014, when a WorkSafeBC employer consultant offered to help the cooperative foster a culture of health and safety among its 500-900 employees (depending on the season), his enthusiastic response was, "When can we start?"

"We had a safety program that was developing, but it was very much like crisis management," recalls Fisher-Fleming. "We were writing procedures and training people, but what was missing was the cultural shift." That's where Mike Paine came in. Like his seven fellow WorkSafeBC employer consultants (technically "key account performance consultants"), Paine works with some of the province's largest employers to help them develop and change, where needed, their culture of safety.

"We marshal all of our WorkSafeBC resources to support (the employer)," explains Paine. "They get no-cost consulting services, and I'm able to draw on other staff resources, like in-house working groups and health and safety culture surveys."

Particularly revelatory in the case of BC Tree Fruits were the results of an employee perception survey conducted early in the engagement process. Though the cooperative had developed extensive safe work procedures for forklifts and had reduced their accident rate, for example, the survey showed that forklift safety was still the primary cause of concern among employees.

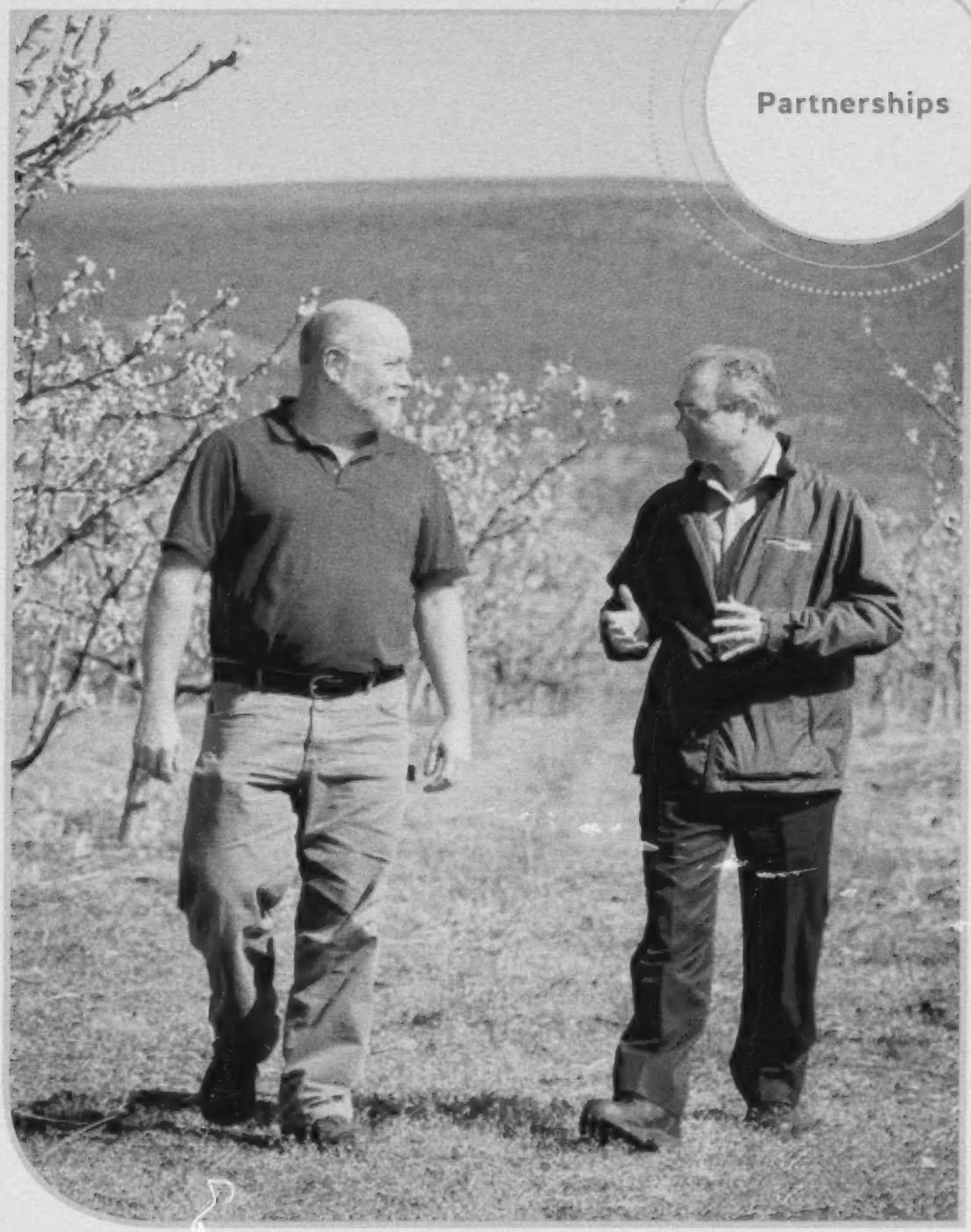
This is what Paine refers to as the "management-worker disconnect." On a follow-up survey a year later, after BC Tree Fruits had worked diligently with Paine and his team to improve communication around the safety procedures that were already in place, forklift safety didn't even register as a concern.

Through collaboration with its employer consultant, BC Tree Fruits has also implemented a successful return-to-work program, hired a wellness coordinator to assist with claims management, and is currently working on a comprehensive ergonomics program. The experience, says Fisher-Fleming, has been unequivocally positive.

"To me it was such a win," he raves, adding that there's been a tangible boost in morale. "It's not that we didn't want to do things differently, it's that we didn't know how." The secret, says Paine, is culture. "A strong health and safety culture influences employees' attitudes, behaviours, and actions in the workplace," he says. "We're changing those behaviours and actions such that we end up with safer work practices and more awareness around health and safety."

"We're not done yet by any stretch," says Fisher-Fleming. "But we definitely have more tools in our toolbox."

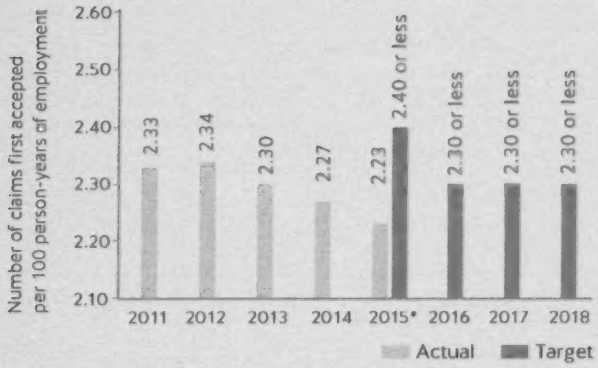
Partnerships



Performance Targets and Results

Key performance indicator #1: Reduce the provincial injury rate[7]

Provincial injury rate



*The provincial injury rate estimate for 2015 is preliminary and subject to change. The injury rate is finalized in July each year; prior-year results are restated to reflect finalized numbers.

Importance

At WorkSafeBC, our priority is preventing work-related injury, disease, and death for British Columbians. We gauge our progress by measuring the provincial injury rate — the number of claims first accepted by WorkSafeBC per 100 person-years of employment.[8]

The lower the provincial injury rate, the lower the human cost of work-related injuries and deaths.[9]

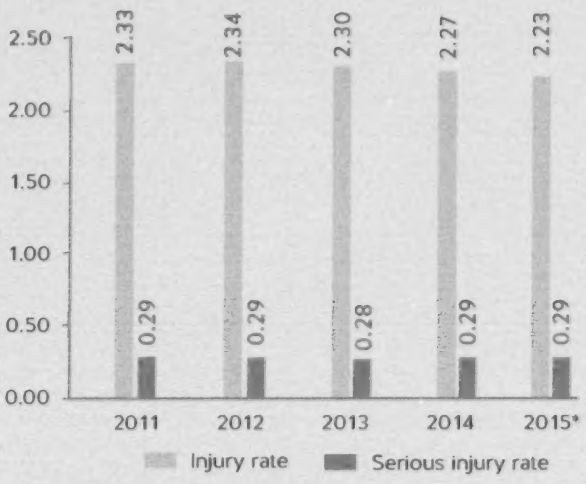
Setting targets

The provincial injury rate is a composite figure representing injuries across all sectors. The measure is affected by various external factors including changes in economic activity, industry practices, industry mix, and injury risk in each sector. With these considerations, the target for the injury rate is set as an upper boundary rather than a precise target. To determine this threshold, we examine current injury rates by sector and estimate the impact programs, initiatives, and changes will have on the rate in the year ahead, adjusting based on the forecast for employment growth and historical trends. In 2015, the target was set at 2.40 or less. Taking into account the stable injury rate over the past several years, targets will be set at 2.30 or less for 2016 through 2018.

Serious injury rate

Given the life-changing consequences to workers and their families when serious injuries and work-related deaths occur, our efforts focus on addressing prevention of these injuries through activities targeted at those industries and risks most likely to cause serious harm to workers. To monitor the success of our prevention strategies, WorkSafeBC tracks claims[10] meeting the criteria for specific injury and disease types[11] — classified as serious or potentially serious with a long recovery[12] period. This classification includes all work-related deaths as a subset of the provincial injury rate.

Provincial injury rate vs. serious injury rate



*The provinical injury rate for 2015 is preliminary and subject to change. The serious injury rate for 2015 is as of December 2015.

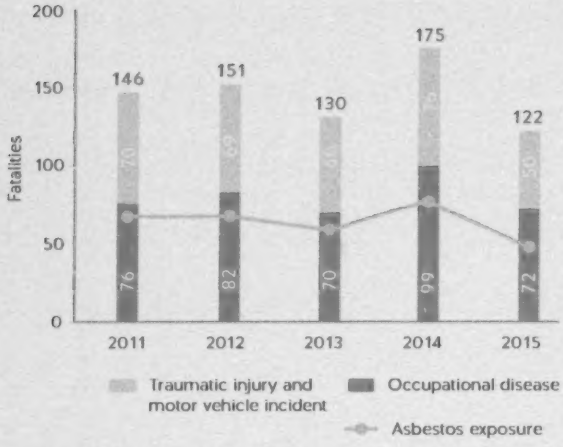
Performance highlights

Over the last five years, the provincial injury rate has remained relatively stable, ranging from 2.23 to 2.34. In 2015, the injury rate was 2.23 — the lowest in history and below the threshold of 2.40. As the injury rate is determined by the relationship between the number of injuries and the employment base, in 2015 there was a small decrease in the number of injured workers with accepted claims (-0.2 percent) than the increase (1.8 percent) in the employment base (person-years).

The number of fatalities relating to occupational disease remains the single leading cause of work-related deaths[13] in British Columbia, primarily driven by asbestos-related disease resulting from exposure decades earlier. Though asbestos-related disease resulted in 28 fewer deaths in 2015 than 2014, fatalities as a result of occupational disease accounted for more than half (59 percent) of all work-related deaths.

In 2015, there were 50 work-related deaths as a result of traumatic injury, a decrease of 26 from 76 work-related deaths in 2014.[14] Work-related deaths due to traumatic injury can significantly fluctuate from year to year because of chance variations; therefore, significant patterns or trends are not easily determined.

Work-related deaths, 2011–2015[15]



Major programs and strategies

Given the complex and diverse range of activities across industry sectors, we take a multidisciplinary and holistic approach to preventing work-related injury, disease, and death. This approach includes:

- **Consultation and education** — We work with employers, workers, labour unions, and other partners to improve workplace health and safety for British Columbians.
- **Incentives** — We provide financial incentives for workplace health and safety management systems, return-to-work programs, and demonstrated improvements to safety performance.
- **Compliance and enforcement** — We are mandated to ensure employers comply with the *Workers Compensation Act*, the Occupational Health and Safety Regulation, and related policy. Through workplace inspections, we ensure compliance and enforcement, issuing written orders, sending warning letters, and levying penalties.

In 2015, Bills 9[16] and 35[17] of the *Workers Compensation Amendment Act, 2015* were passed, and included addressing recommendations from the *WorkSafeBC Review and Action Plan*.[18] WorkSafeBC began implementing changes arising from the new Bills; this included rolling out new enforcement tools, including stop operations,[19] compliance agreements,[20] citations,[21] and expanded injunction powers, allowing WorkSafeBC to select the most effective approach for specific situations and circumstances — helping move employers along the continuum of compliance and health and safety improvement.

In addition, we fully implemented the dual team investigations model and Major Case Management protocol and system as per recommendations from the *WorkSafeBC Review and Action Plan* to allow for both cause investigations and investigations that could lead to prosecution.

In 2015, some of our major programs and strategies included: expanded hours of inspection, high-risk, and partner strategies. In addition, the Risk Analysis Unit was further developed in 2015.

The Risk Analysis Unit works to identify potential risks before harm occurs, then evaluates and assesses each risk to determine appropriate action to mitigate and prevent them. There are several established projects to develop mitigation strategies for identified risks. Risks are communicated to industry via worksafebc.com and e-news. At the end of 2015, more than 45 risks[22] had been identified by the unit.

High-risk strategy and initiatives

Our high-risk strategy focuses on identified areas with significant risk of injury, assigning resources where they will be most effective. In 2015, using a combination of consultation, education, and enforcement, these efforts were directed to four primary high-risk industries[23] (construction, health care, forestry, and manufacturing) and four secondary high-risk industries (agriculture, fishing, oil and gas, and transportation).[24] We also identified and targeted specific activities at risk of higher numbers of serious injuries or deaths.

Combustible dust strategy

In 2015, WorkSafeBC completed an additional series of targeted combustible dust inspections of all operating sawmills. These inspections provided an opportunity to further evaluate compliance and verify that combustible dust management had become entrenched in day-to-day sawmill operations.

We continued engaging the pellet mill industry and implemented an inspection initiative focusing on combustible dust compliance, while also evaluating Occupational Health and Safety (OHS) program effectiveness and compliance.

In 2016, WorkSafeBC will continue partnering with both sectors (sawmills and pellet mills) to support employers in combustible dust compliance. Progress made in these industries gives us an opportunity to focus on other related industries (such as pulp, finger-joint lumber, and shake and shingle mills) to ensure these employers have also developed, implemented, and maintained effective dust management programs.

Asbestos strategy

Compliance with asbestos-related exposure control regulations continues to be an issue as evidenced by more than 400 new asbestos-related exposures reported in 2015. During 2015, our asbestos strategy focused on three primary initiatives to increase worker awareness and protection in the workplace:

- **Demolitions** — Amendments to the OHS Regulation came into effect targeting improved processes and standards for risk inspections and identifying hazardous materials.
- **Renovations and maintenance** — Efforts in this area focused on raising the profile of potential asbestos exposure for trades workers (those involved in electrical, plumbing, air ducts, and other building installation/repair tasks). Presentations and consultations were held across the province. These events were designed to help employers develop comprehensive exposure control plans that incorporate identification of hazardous materials before beginning work; emphasize supervisor and worker education and training; and ensure the availability of tools, equipment, personal protective equipment, and other resources where/when required so workers can safely perform their tasks.
- **Schools and educational facilities** — The age and structure of school facilities across B.C. has resulted in situations where asbestos exposures can occur. In 2015, efforts focused on identifying building/material inventories to ensure proper practices and controls were in place when working with or around asbestos in educational buildings. In 2016, this initiative will be further developed through a campaign directed to teachers, custodians, maintenance staff, and contractors.

Falls from heights

Under our construction high-risk strategy, in 2015 a targeted initiative focused on planning and oversight of work at heights. The two key compliance issues were identified during these inspections: the obligation of workers to use fall protection and of employers to train and supervise workers.

Health care violence prevention strategy

The health care industry continues to be one of the most hazardous in B.C. Province-wide, the industry represents approximately 11 percent of all workers but 18 percent of all injuries with wage-loss claims. It also represents more than 58 percent of all time-loss claims due to acts of violence or force.

Through dedicated violence prevention funding provided to provincial health authorities, new Provincial Violence Education curriculum has been developed and is being piloted with workers in the field.

Partnerships for safety and outreach

In 2015, we continued to support 13 health and safety associations (HSAs) and six other ongoing health and safety initiatives across all major industries in B.C. This continued collaboration on programs and initiatives supports employers, industry-based HSAs, and other safety partners in proactively promoting healthy and safe workplaces, extending the reach of WorkSafeBC's resources. Examples include:

- **Employer Safety Planning Toolkit** — The Employer Safety Planning Toolkit is an online application helping large employers reduce workplace injuries and lower claim costs. The resource walks employers through their organizational data, allowing them to compare their safety performance and insurance costs with industry peers. Employers can also run various "what if?" scenarios to see how changes in variables may impact their claim costs, injury, and assessment rates. Since the tool was launched, some employers have used the information to make noticeable changes in their safety performance.
- **Employer Consulting Program** — Through this program, WorkSafeBC employer consultants provide assistance to targeted large employers whose performance reveals significant opportunities to improve safety culture, reduce injuries, and improve claim management processes/practices and return-to-work outcomes. These employer consultants assist their clients in identifying opportunities for improving their safety performance, then in developing and implementing solutions. Supported by return-to-work specialists (nurses) and occupational health and safety specialists, employer consultants bring a suite of tools to their work, including a safety culture survey and data analysis of employer injury/claim information.
- **Housekeeping Room Attendant Initiative** — More than 50 percent of the accommodation industry's injuries involve housekeeping room attendants. Through a collaboration between go2HR (the health and safety association for the tourism and hospitality industry), the industry's technical advisory committee, and WorkSafeBC, a video safety series and complementary resources demonstrating safe work procedures were created.
- **Confined spaces app** — Partnering with the Farm and Ranch Safety and Health Association (FARSHA), a Centre of Excellence for confined spaces in agriculture was created in 2014 which includes a web portal. In 2015, a mobile resource — the My Confined Spaces app (application) — was introduced. It enables employers to create an inventory of confined spaces on their properties and provides information on possible hazards for commonly found confined spaces.

For more on our current prevention strategies and initiatives, visit worksafebc.com.

Looking ahead

While the injury rate has been stable over the past few years, we remain vigilant in proactively identifying potential areas of concern and addressing them promptly.

In 2016, we will continue implementing legislative changes from Bills 9 and 35, including the enhanced suite of enforcement tools. Once in place, we will monitor and evaluate the effectiveness of the tools and focus on further improvements as they are applied.

We will continue our proactive enforcement initiatives and partnerships with targeted employers and sectors where serious injuries are most likely. We will also broaden our approach to occupational disease to include possible new or emerging hazards.[25]

Also in 2016:

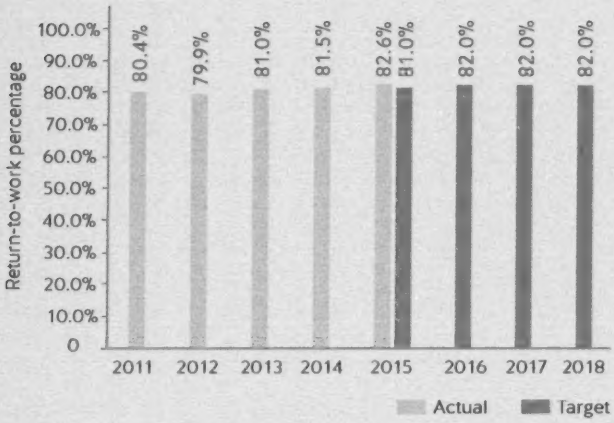
- Additional officers will extend the asbestos team's reach.
- The *Safe Work Practices for Handling Asbestos* publication will be updated to help consultants and employers comply with the Occupational Health and Safety Regulation and ensure a safe environment for those directly working in asbestos management, removal, or cleanup. It will also provide relevant information to workers on safely handling asbestos products or waste materials.
- In health care, prevention officers will apply a point-of-care inspectional protocol with a primary focus on violence prevention and internal employer responsibility systems. These systems are made up of employee-employer partnerships to ensure safe and disease-free workplaces and health and safety committees to provide a joint forum to improve workplace health and safety.
- A newly created confined spaces team will conduct inspections across all sectors and industries beyond agriculture.

WorkSafeBC officers are fundamental to our prevention strategy, so we will further invest in them by taking a proactive approach to training, development, and recruitment to meet our current and future needs.

Collectively, we anticipate these programs and our focused attention will have a positive overall impact on the injury rate.

Key performance indicator #2: Improve return-to-work outcomes

Percentage of workers returning to work by 26 weeks*



*In 2011 and 2012, we tracked successful return to work by 26 weeks as a percentage of concluded wage-loss claims within the calendar year. In 2013, we refined this metric to track the percentage of concluded wage-loss claims within the calendar year plus current wage-loss claims open more than 26 weeks.[26]

Importance

This indicator, the percentage of workers returning to work by 26 weeks,[27] measures the success of early intervention initiatives — designed to assist workers in returning to employment after a workplace incident or injury. This measure is for short-term disability claims and usually reflects return-to-work outcomes for the same job and responsibilities a worker had before his or her workplace incident or injury. For the purpose of this key performance indicator (KPI), return to work is considered successful if it is within 26 weeks (from the date the employee is unable to work due to injury), voluntary (not under objection), and durable (no subsequent claim activity for 30 days after return).

Setting targets

As not all workers will return to work within 26 weeks, a 100 percent success rate is not realistic for this KPI. Thus, assuming a relatively similar mix of claim referrals from year to year, our return-to-work targets reflect our best expected outcomes based on an assessment of our current strategies, overall economic climate, and projected employment opportunities (the ability of employers and workers to engage in return-to-work initiatives, undertake any workplace modifications, or participate in accommodation programs).

With a forecast for modest economic growth and a stable unemployment rate in 2016, and based on improved prior-year results, we have increased our target to 82 percent for 2016 through 2018. This KPI target is reviewed and adjusted annually to reflect changes in economic indicators.

Performance highlights

In 2015, the annual return-to-work-by-26-weeks outcome was 82.6 percent. This result represents an increase of 1.1 percentage points over 2014 and is higher than the 81 percent target. We believe this outcome reflects our approach of early intervention with a focus on quality and best practices coupled with the commitment and willingness of B.C.'s employers and workers to partner with us.

Major programs and strategies

In 2015, the following strategies supported injured workers and employers in return-to-work activities:

Partnerships

As the ability and willingness of employers to engage in return-to-work activities are integral to successful return to work for those injured on the job, we established collaborative partnerships with employers and industries:

- **Engaging large employers** — We engaged large employers on new approaches to stay at work and return to work. For example, a partnership with the group responsible for the Evergreen Line transportation project in the Lower Mainland resulted in the creation of an on-site Recover at Work centre; it features a project nurse and injury management coordinator who help find on-site modified duties for injured workers. On another transportation-related construction project, the South Fraser Perimeter Road, employers are participating in a new Stay at Work [28] program.
- **Forming the Construction Action Committee** — WorkSafeBC facilitated the formation of industry-specific action committees. The construction industry was facing high claim duration with limited return-to-work opportunities. The industry came together with WorkSafeBC to identify opportunities to improve

- return to work and shift the industry's culture — to a place where return to work is the anticipated norm for all injured workers. The committee developed strategies, such as improving communication with claim teams, identifying injury types for specific focus, and addressing the challenges that return to work poses for small[29] construction employers.
- **The Direct Access Program** — This new early treatment pilot for musculoskeletal injuries is an initiative involving WorkSafeBC and the BC Construction Safety Alliance. A physiotherapist knowledgeable in the specific job demands of the construction industry provides same-day expedited functional assessment and return-to-work planning and workplace conditioning and/or treatment.

Enhanced case management

We endeavoured to deliver quality and excellence across all aspects of the customer service experience through our enhanced case management initiatives:

- **Claims with psychological and mental health issues** — In 2015, we developed a more comprehensive and standardized framework of service standards to address psychological injuries. We also carried on the work of investigating potential strategies to increase successful return to work for workers with psychological injuries or disabilities.
- **The Three Pillars of Case Management**[30] — Individualized learning and development plans were developed for each case manager to ensure the team excelled in assisting injured workers with recovery and return to work. In 2015, claim management teams supplemented their professional development opportunities with an emphasis on a team approach to claim management — an approach focused on tapping into the expertise of everyone involved, including external stakeholders (e.g., workers, employers, and service providers). During the year, we continued refining the planning, relationships, and quality service that are the cornerstones of the Three Pillars approach.

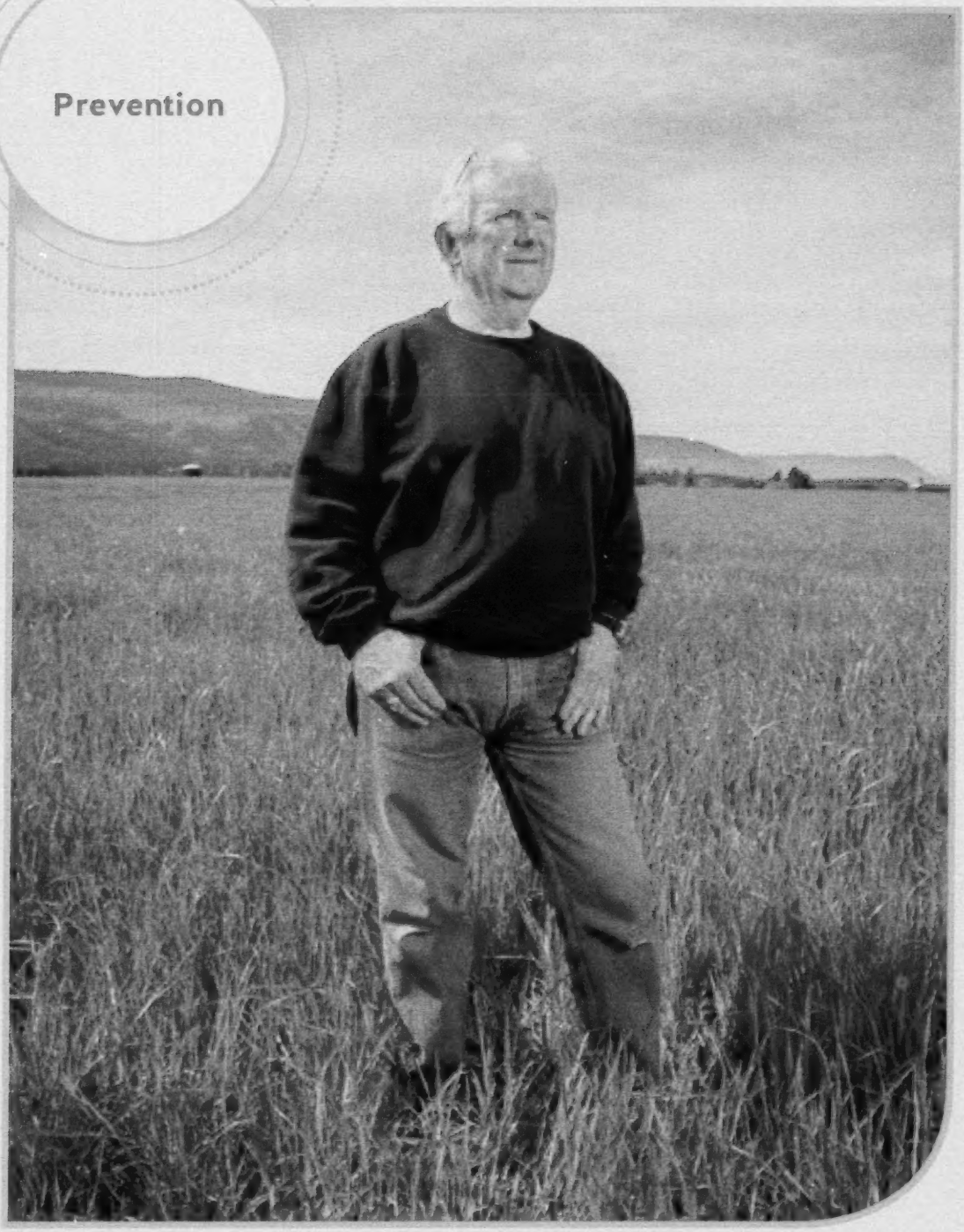
Looking ahead

We will seek continuous improvement by consistently applying the Three Pillars of Case Management and employing an intervention model that supports injured workers earlier in the claim process. To that end, in 2016 we will expand the types of injuries handled by our Return to Work Services department. The Return to Work Services model has been shown to be an effective early intervention model that maintains employment connections and transitions workers back to safe and lasting return to work.

We will continue assessing our services and programs to find more efficient and effective ways to assist injured workers while providing good quality and compassionate service. We will further solidify our strategies for return to work for workers with psychological injuries and explore more effective means of partnering with our health care providers.

With best-ever results in return to work and a forecast for a stable unemployment rate in 2016, we anticipate maintaining return-to-work outcomes through focused, targeted, and iterative refinements based on lessons learned from our successes in 2015.

Prevention



Construction veteran, Brian Duncan, advocates for greater asbestos awareness

"If I had my life to live again and I knew then what I know now, I'd live to be 100."

Brian Duncan, a 68-year-old Cowichan Valley retiree with less than 50 percent lung function due to chronic asbestosis, has a lot of regrets and some resentment. With a career in the construction industry that spanned 50 years, Brian was often allowed to work with a supposed miracle material that's now known as "the silent killer."

As a shipwright in the 1960s and '70s, Duncan was regularly exposed to an asbestos-containing, spray-on fire retardant known as Limpet. "There were times when you couldn't see five feet in front of you because of the dust that was flying around," he recalls.

Though he didn't know it at the time, his asbestos exposure only increased in the decades following, when he worked for contractors doing renovations throughout the Victoria area. In 2012, after seeing his doctor about a cold he couldn't seem to shake, Duncan was diagnosed with asbestosis — a chronic scarring of the lungs caused by asbestos exposure. Though rarely fatal on its own, asbestosis progressively diminishes lung function and often develops into cancers like mesothelioma — a particularly sinister variety that's fast acting and almost always deadly.

Unfortunately, Duncan's story isn't unique. WorkSafeBC has seen deaths related to asbestos exposure climb 57 percent between 2005 and 2014 as those exposed years before are now seeing the effects. With 581 British Columbians dying over a 10-year period, the vast majority of victims worked in manufacturing or construction, and most succumbed to mesothelioma.

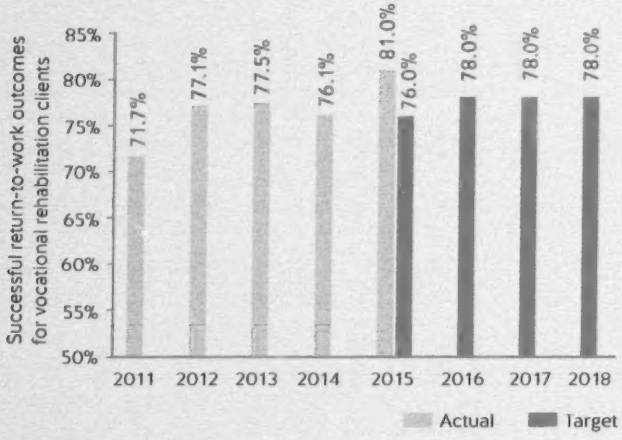
"Exposure to asbestos continues to be a serious issue," says Al Johnson, vice president of Prevention Services at WorkSafeBC. "In 2015 alone we had more than 400 asbestos-related exposures reported." While no longer used in construction, asbestos is commonly found in homes built prior to 1990. Usually harmless if left undisturbed, but deadly when a renovation or demolition causes its fibres to become airborne. It is with this information that WorkSafeBC includes asbestos control and compliance among its high-risk strategies for the province, with annual initiatives to educate the public and enforce the Occupational Health and Safety Regulation.

Duncan is a strong proponent of greater awareness of the dangers and ubiquity of asbestos, and he's being joined in that advocacy by one of his former employers. The Cowichan Valley Regional District, where Duncan worked as building and bylaw division manager before retiring on Christmas Eve 2015, is launching an asbestos awareness campaign this spring with support from WorkSafeBC. The campaign aims to get residents thinking about asbestos, and to encourage them to conduct a hazardous material assessment before beginning any renovation project.

The importance of that assessment, says Duncan, cannot be understated. "I'm very careful now, but it's too late for me," he says. "Once it's in you, it's not coming out."

Key performance indicator #3: Improve return-to-work outcomes for workers in vocational rehabilitation

Successful return-to-work outcomes*



*Based on the inverse relationship between the return-to-work outcome and the B.C. unemployment rate, the 2015 target was set at 76 percent using a forecast of a 6.2 percent unemployment rate. The actual unemployment rate in 2015 was 6.2 percent. The target for 2016 has been set at 78 percent. This target is reviewed and adjusted annually to reflect changes in the rate.

Importance

Vocational rehabilitation (VR) is a program that assists injured workers with their return to work as quickly, safely, and successfully as possible following a potentially life-altering work-related injury. Our VR program supports workers who are able to return to work but due to severe or complex injuries are unable to return to the same job responsibilities they had before being injured. Each year, approximately 3,000 workers, or about 6.6 percent of workers with a wage-loss claim, are referred to our VR program for assistance in returning to work. To measure the effectiveness of our efforts, we track and record the number of successful outcomes for returning workers as a percentage of all return-to-work referrals completed annually by our Vocational Rehabilitation Services department.

Setting targets

Based on an unemployment rate forecast for 2016 of 6.3 percent, for 2016, 2017, and 2018 our targets for return-to-work outcomes for workers in VR have been set at 78.0 percent. As return-to-work outcomes correlate with the provincial unemployment rate, targets for future years may be adjusted if the unemployment rate experiences significant change.

As workers referred to our vocational rehabilitation program have often suffered complex injuries which may prevent successful return to work, a target of 100 percent is unrealistic. The same is also true for some workers in the VR program who opt to retire rather than return to work. Thus, our return-to-work targets reflect our best expected outcomes based on an assessment of our current initiatives, strategies, and provincial unemployment forecasts.

Performance highlights

In 2015, 2,678 workers returned to employment. Of these, approximately 48 percent of workers returned to work with new employers or became self-employed. In 2015, we achieved a return-to-work success rate of 81.0 percent, 4.9 percentage points higher than 2014 — one of the highest results since we began measuring this indicator. This outcome is against the backdrop of low employment growth. With prior initiatives to address older, complex claims, our vocational rehabilitation consultants (VRCs) retained more manageable caseloads in 2015 that allowed them to focus on earlier intervention. Another key factor in the record-high return-to-work result is the willingness of both employers and workers to fully engage in the rehabilitation process.

Major programs and strategies

We work closely with injured workers, employers, health care providers, and others to create return-to-work programs that meet the unique needs of each worker. Programs and services may include vocational counselling, return-to-work planning, worker-employer mediation, work assessment, worksite/job modification, job search and placement assistance, and help with training and education. Whenever possible, we help injured workers return to work with their original employer — either in a modified version of the same job or a similar role. If this is not an option, our Employment Development and Placement tool suggests other employment possibilities and helps our VRCs and their

clients identify new job opportunities while offering employers incentives to offset the costs of hiring and training employees involved in return-to-work programs.

In 2015, vocational rehabilitation consultants also worked on several initiatives to improve service. This included: defining service promises,[31] which engaged staff in identifying best practices and exploring factors that play a role in engaging injured workers and building meaningful relationships. As a result, a dedicated appeals desk was created to improve the timeliness of appeals implementation.

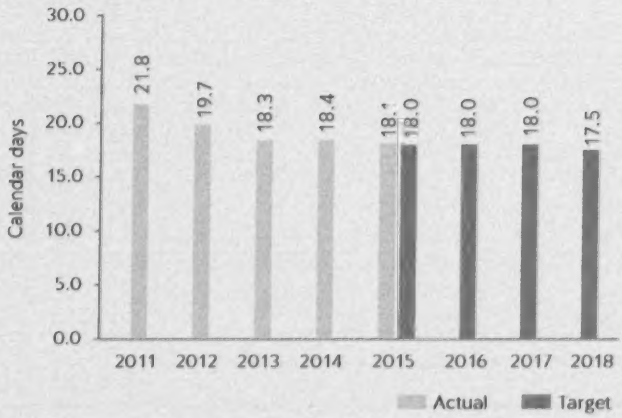
Looking ahead

As early intervention has been shown to improve return-to-work outcomes, earlier vocational rehabilitation involvement for workers remains a priority for WorkSafeBC. In 2016, we will continue identifying efficiencies and streamlining processes to provide VRCs with even better ability to be client-focused and build effective relationships with both workers and employers.

Given the significant gains in VR return-to-work outcomes over the past five years, and as a 100 percent success rate is not an attainable target, only incremental gains are expected. We will continue seeking and making improvements where possible to maintain outcomes at the current level. With an outlook for modest economic growth in 2016 and continuing stable unemployment rates, we continue to adopt conservative return-to-work targets for the years ahead.

Key performance indicator #4: Improve timeliness of initial short-term disability payments

Timeliness of initial short-term disability payments*



*Factors affecting payment timeliness include: time required to fully diagnose and investigate occupational diseases, claims that undergo appeals, and unusual circumstances resulting in decision-making delays. As a result, claims with timeliness of greater than 365 days have been excluded from this KPI calculation; including these claims would have resulted in timeliness of 21.7 days.

Importance

For many injured workers in British Columbia, benefits provided by WorkSafeBC — an essential function of our workers' compensation system — sustain injured workers and their families in the period between injury and return to work. To measure when injured workers receive their first short-term disability payments, we calculate the average interval between the disablement date (defined as the first day an injured worker is entitled to wage-loss benefits) and the date of first payment. Our goal is to provide disability payments to injured workers as quickly as possible without compromising the adjudication process; however, external factors can affect payment timeliness. This includes any delays workers, employers, or health care providers might have in submitting necessary claim information to us.

Setting targets

Our customer surveys have indicated that more than 80 percent of our clients are satisfied if they receive their first compensation payment within five weeks of their injury; we work to provide first payment to our injured workers as quickly as possible. We set our targets annually based on prior results and an evaluation of initiatives and strategies. Targets published in the *2014 Annual Report and 2015–2017 Service Plan* have been adjusted. Previous targets assumed a fully developed refinement of processes; however, based on our current assessment, timeliness for 2016 and 2017 will be increased to 18 days, decreasing to 17.5 days for 2018.

Performance highlights

In 2015, timeliness was 18.1 days — 0.3 days lower than 2014,[32] but 0.1 days higher than the target of 18 days. Over the past few years, we have made incremental progress on timeliness results as we focused more heavily on service and quality improvements throughout the initial adjudication process.

Major programs and strategies

To improve timeliness, in 2015 we continued promoting increased use of alternate communication and information channels, including Teleclaim (our telephone service to report injuries for workers) and our online portal (for employers). Now, more than 78 percent of injured workers report their claims through Teleclaim — which offers them a channel to explain their accident and injury details directly to a WorkSafeBC client services representative. This allows us to gather accurate and complete information needed to manage the claim while providing an opportunity to discuss claim process expectations. Use of a real-time interpretation service enables our clients to communicate with WorkSafeBC by phone in their preferred language. In 2015, the interpretation service received requests in 58 languages and assisted with 16,747 calls.

During the year, we continued streamlining processes by ensuring expertise and consistency in decision making, improving timeliness and reducing wait times.

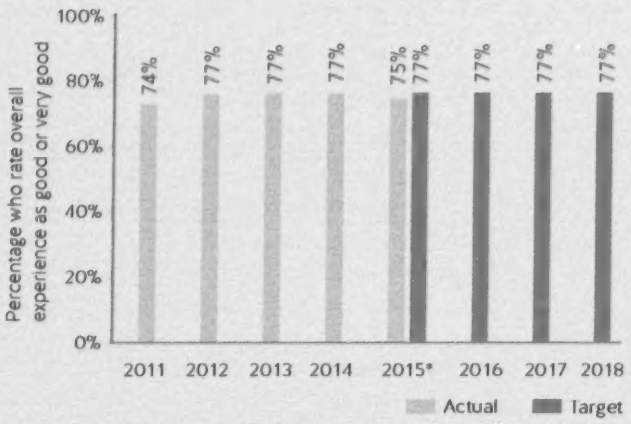
Looking ahead

Though we have made improvements to timeliness, we will continue seeking ways to enhance the quality of service provided to British Columbia's workers and employers.

In 2016, we will begin a review of the initial decision-making phase to assess if there are additional points in the process that can be streamlined. We will increase resourcing for Teleclaim and further promote its use as the most effective and efficient way to initiate a claim. We will continue concentrating on customer service and staff engagement, with the goal of realizing further incremental improvements to timeliness results.

Key performance indicator #5: Improve injured workers' rating of overall experience

Injured workers' rating of overall experience



*** The margin of error is +/– 4 percent, 95 times out of 100.**

Importance

WorkSafeBC looks to deliver responsive and caring service that meets or exceeds the expectations of injured workers. To measure performance, our Voice of the Customer program contracts market research provider Ipsos to conduct random surveys of 800 injured workers per year. These surveys gauge injured workers' impressions of our organization and the services our team provides.

For this key performance indicator (KPI), success is measured by how injured workers rate their overall experience with us — a measurement covering a five-point scale defined as very good, good, average, poor, or very poor. This KPI is expressed as the percentage of injured workers' rating their experience as good or very good.

Setting targets

WorkSafeBC is committed to delivering excellent service at all points of contact with an injured worker. Based on past results, we set our 2015 target for this KPI at 77 percent. Several factors directly impact this measure:

- WorkSafeBC is mandated to provide fair compensation for workplace injury, disease, and death within boundaries set by law and policy. Given the nature of our work, it is unlikely all injured workers will agree with every claim-related decision we make.
- WorkSafeBC is interested in measuring our service levels for all types of claims — even those we are not able to allow. For denied claims, it is unlikely all injured workers will rate their overall experience as good or very good.

Performance highlights

In 2015, 75 percent of injured workers rated their overall experience with WorkSafeBC as good or very good. Market researcher Ipsos notes the 2 percent difference in the 75 percent rating achieved in 2015 and the 77 percent rating in each of the past three years is not considered a statistically significant change given the surveying margin of error.

The majority of injured workers rating their overall experience as good or very good said WorkSafeBC was easy to work with, explanations were clear, and staff were empathetic. Among those rating their experience as poor or very poor, the main reasons cited included poor communication and refusal of claim.

Major programs and strategies

WorkSafeBC knows providing timely decisions to accept or deny a claim is one of the most important parts of our service to injured workers. In 2015, significant focus was placed on decreasing the number of injured workers awaiting the initial entitlement decision. Two units are primarily responsible for timely entitlement decisions:

- Our Initial Adjudication Unit makes timely entitlement decisions on straightforward injury claims. At the end of 2015, approximately 200 workers were awaiting a decision — the lowest in five years.
- The Entitlement Unit makes decisions on claims with complex eligibility issues. At the end of 2015, fewer than 900 workers were awaiting a decision — also a five-year low.

In late 2015, we combined the Claims Registration, Initial Adjudication, and Entitlement departments. One goal of this integrated approach is to deliver more timely initial decisions to injured workers.

We also undertook a project to better understand the business information collected by surveying injured workers through our Voice of the Customer program. Voice of the Customer results reflect the experience of injured workers with our organization overall, as well as personal service received from individual staff. Tailoring survey questions (not just by claim stage but also by the occurrence of specific claim-related events, such as completing a rehabilitation program or starting a gradual return-to-work plan) will provide further insights into when and how we can better meet the needs of injured workers. This pilot project will continue into 2016.

Looking ahead

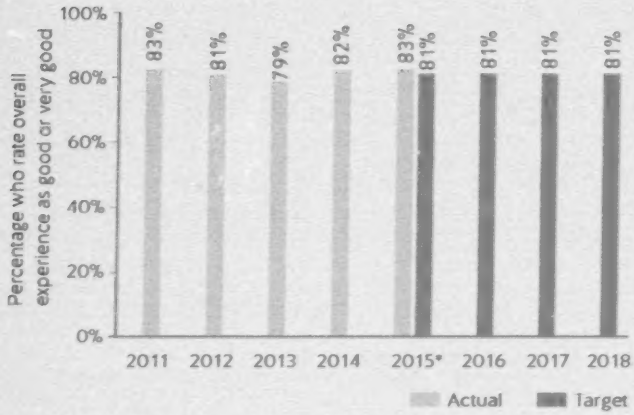
Going forward, we will continue monitoring trends as they develop to ensure our staff, training, and resources are well positioned to meet the service requirements of injured workers.

Teleclaim provides injured workers with the opportunity to report their workplace injuries by phone. To this point, additional claims have been handled through operational efficiencies, but the department is nearing capacity. As a result, new staff positions will be added in 2016 to further increase and enhance this service.

Overall, taking these and other factors into account, we aim to achieve a service score of 77 percent of injured workers rating their service from us as good or very good through 2018. As part of this goal, we look to improve the lowest service scores, those rating their experience as poor or very poor, by at least one percent.

Key performance indicator #6: Improve employers' rating of overall experience

Employers' rating of overall experience



*The margin of error is +/- 3 percent, 95 times out of 100.

Importance

We are committed to providing excellent customer service to employers through our core functions of prevention, assessment, and compensation. As we've done in previous years, we contracted market research provider Ipsos to measure our performance in these areas. In 2015, Ipsos surveyed 1,600 employers[33] with two or more claims in the previous 12 months. The survey starts with a broad measurement, then explores specific components of the employer's experience with us.

This key performance indicator correlates directly to employer experiences with inspections, premiums, and the claim process. Employers rate their overall experience with us as very good, good, average, poor, or very poor. We then determine success based on the percentage of respondents citing good or very good ratings.

Setting targets

In setting targets, we consider past performance as well as any anticipated operational challenges resulting from current or future economic environments. Such challenges could include changes in business processes, rates, claim volumes, staff availability, or other factors. Taking these considerations into account, and our mandate as a regulatory and decision-making body, we set our 2015 target at 81 percent of employers rating their overall experience with us as good or very good.

Performance highlights

In 2015, 83 percent of employers rated their overall experience with us as good or very good. While 83 percent is an increase from the 82 percent result achieved in 2014, this is not a statistically significant change given the surveying margin of error. In gathering feedback from employers, we recognize businesses of different sizes have different needs and expectations; consequently, survey results are broken out so we may better understand employers' experiences.

In 2015, ratings from small employers rose slightly — to 81 percent good or very good (up from 80 percent in 2014). Ratings from medium-sized employers improved by three points over the previous year, to 87 percent. Ratings from large employers declined slightly, to 82 percent (down from 83 percent in 2014).

Twenty-four percent of employers felt their experience with WorkSafeBC improved over previous years, compared with 29 percent in 2014. Balancing this out, 72 percent of employers (up four points from 2014) felt there was no change in their experience over previous years.

Among the survey's other findings:

- Staff in our Employer Service Centre earned high marks, with 93 percent of employers rating the courtesy of representatives as good or very good.
- When assessing workplace inspections conducted by WorkSafeBC staff and the value of the inspection experience, 79 percent of survey respondents rated their value as good or very good overall (compared to 74 percent in 2014). WorkSafeBC prevention officers were rated higher than in prior years, as were the attributes associated with their inspections. Overall, WorkSafeBC prevention officers received a rating of 86 percent good or very good.

Major programs and strategies

In 2015, WorkSafeBC continued consulting with employers, providing education and support, and maintaining partnerships to improve safety, lower claim duration, and reduce claim costs.

Two highlights included:

- Renewing a partnership with Small Business BC to increase WorkSafeBC's visibility and exposure in this community. This partnership provided an opportunity to promote occupational health and safety to Small Business BC's members.

- Launching the Serious Injuries Dashboard, an interactive online tool to help employers plan for workplace health and safety. Applying various filters, employers can use the dashboard to research trends and patterns in serious injuries across B.C. The dashboard also includes valuable statistics and resources to help employers better understand the top injury concerns in their industries.

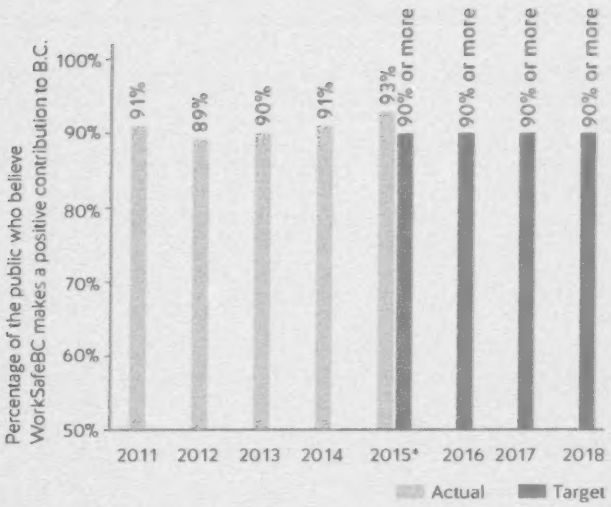
We continued targeting select employers facing workplace safety and claim cost challenges, and connected WorkSafeBC personnel with businesses to build relationships, improve performance, and create programs tailored to the specific needs of these employers.

Looking ahead

We will continue addressing the needs of employers facing workplace safety and claim cost challenges, including in the area of disability management, by supporting early and safe return-to-work programs for injured workers. We will maintain our target of 81 percent of employers rating their experience with us as good or very good for 2016 through 2018.

Key performance indicator #7: Raise public confidence

Public Contribution Index



*The margin of error is +/– 3.5 percent, 95 times out of 100.

Importance

Across the province, WorkSafeBC works to be recognized by stakeholders and the public as a valued partner in shaping a safety culture in the workplace. We rely on the trust and support of the larger community to improve workplace health and safety and return-to-work outcomes for injured workers. As an organization, increased public confidence in us and the work we do allows us to deliver our health and safety message more effectively while building lasting partnerships with workers, employers, unions, safety associations, and other workplace participants.

To measure public confidence, we contract Ipsos to query approximately 800 British Columbians randomly, four times a year, using a survey called the Public Contribution Index. The survey highlights how respondents view WorkSafeBC and our overall contribution to the province. For this reporting year, approximately 3,200 residents were surveyed in February, May, September, and December. This key performance indicator (KPI) calculates the percentage of those who rate WorkSafeBC's contribution as very or somewhat positive.

Setting targets

We believe that to be a leader in prevention, rehabilitation, and return-to-work initiatives, we require a high level of credibility. This point is worth underscoring, as each slight change in the Public Contribution Index suggests greater or reduced public confidence and trust in our organization.

We set targets based on our most recent results and the effects of external factors, with a focus on long-term improvement. This particular KPI is especially sensitive to high-profile media coverage that may arise at any time. As a regulatory and enforcement agency, it is inevitable that actions or decisions by our organization will occasionally be perceived negatively. Such negative perceptions can and do drive down results for this measure.

Past experience and advice from Ipsos suggest scores of 85 percent and higher are rare among public regulatory organizations; however, our recent results indicate a sustained higher-than-target rating. Therefore, we have set 90 percent as the threshold target through 2018.

We are committed to maintaining this new threshold while looking at new measures that may provide a more robust understanding of public perceptions. We will evaluate any potential adjustments to this KPI accordingly.

Performance highlights

In 2015, at 93 percent positive, WorkSafeBC's average public contribution rating remained high — exceeding the year's 90 percent target. Of the 3,214 British Columbians who responded in 2015 to our four surveys, 2,995 said WorkSafeBC is making a somewhat or very positive contribution to the province.

Major programs and strategies

WorkSafeBC's public contribution rating is not associated with a specific group of programs or initiatives. Rather, it measures British Columbians' perceptions of all aspects of our organization. That includes: prevention initiatives; claim management and adjudication; worker and employer education; social marketing; return-to-work and rehabilitation programs; customer service; insurance and financial stability; communications; and more. The rating is a reflection of all our activities, summarizing the degree to which we are viewed — and valued — as contributing to society.

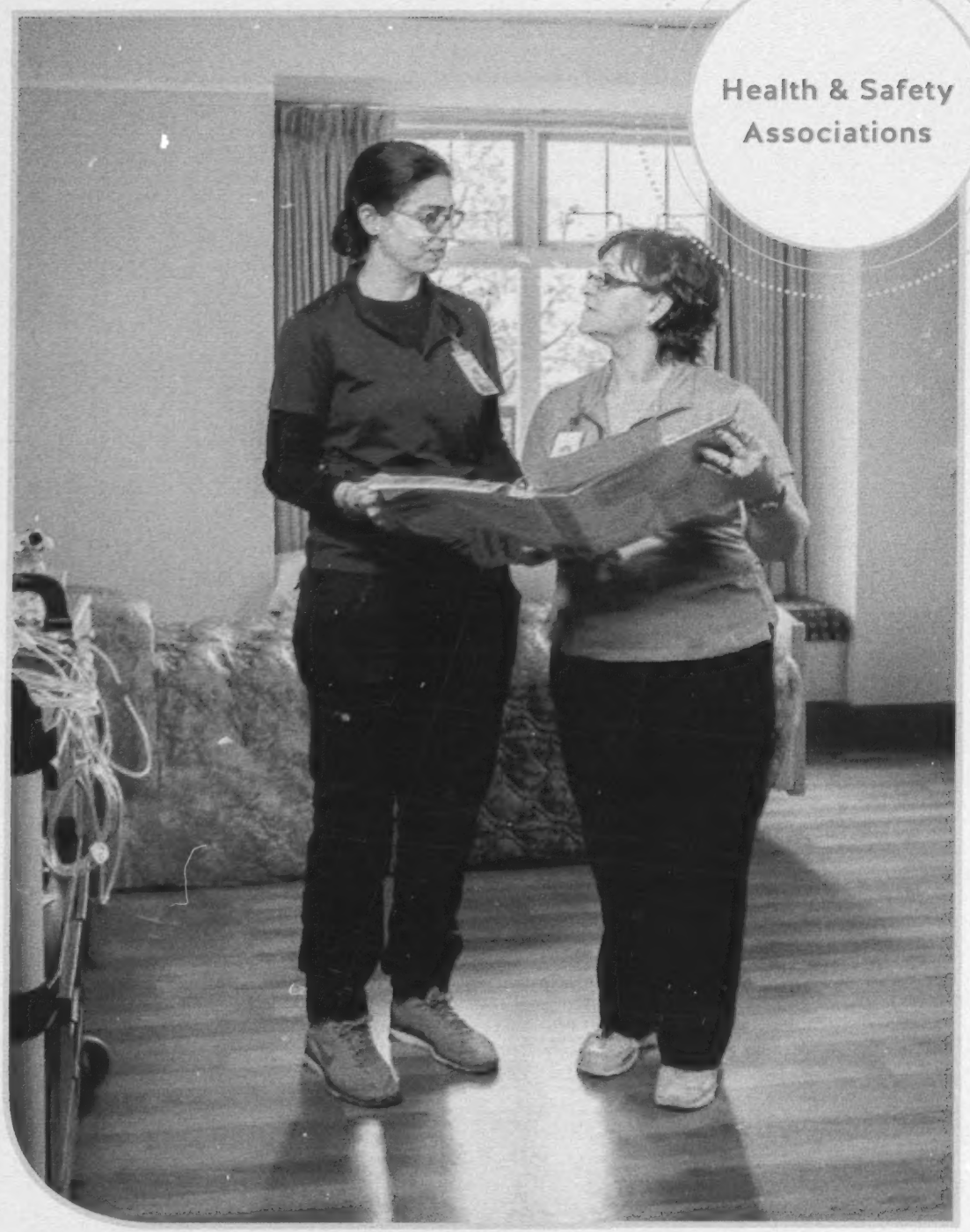
Over many years, WorkSafeBC's public awareness campaigns have likely contributed to our increasingly strong public contribution rating.

In 2015, various programs and activities supported our goal of increasing awareness and changing workplace safety behaviours. They included:

- Our participation in 30 Day of Mourning ceremonies across B.C.
- Participating in the Rogers Santa Claus Parade in Vancouver, reaching more than 300,000 people.
- Our young workers' speaker program, which reached more than 19,000 people at 542 presentations throughout B.C.
- Multicultural safety campaigns, designed specifically to reach Punjabi- and Mandarin-speaking workers
- Our partnership with Preventable — The Community Against Preventable Injuries, which included television advertising
- These are just a few of many initiatives that contributed to our overall Public Contribution Index score.

Looking ahead

In 2016, WorkSafeBC will continue creating targeted and impactful campaigns to capture the attention of our stakeholders and the public, with the goal of changing workplace safety attitudes and behaviours.



Health & Safety Associations

B.C.'s newly formed SafeCare BC puts safety in focus

Health and safety has long been an area of concern in health care — and even more so in long-term care. There are signs, however, that a page may be turning with a renewed focus on safety and the introduction of SafeCare BC, the sector's newly formed non-profit health and safety association.

Industry-funded health and safety associations, like SafeCare BC, represent almost one-third of B.C.'s population and more than a third of B.C.'s employers. Through a consultative process with employers and workers, organizations like SafeCare BC provide valuable education, training, and tools to further enhance health and safety within industry.

When the association was founded its purpose was clear, says executive director David Hurford. "SafeCare BC is a response to a real challenge in a critical sector, a sector with a primary focus on the care of our aging population. One of the most acute pressures is the safety and health of our workers — the people who look after seniors in our province every day." Compassionate people doing a difficult job, complicated by the fact the sector has some of the highest injury rates in B.C.

Injuries commonly incurred by long-term care workers are mostly due to overexertion from moving patients, slips and falls, and acts of violence.

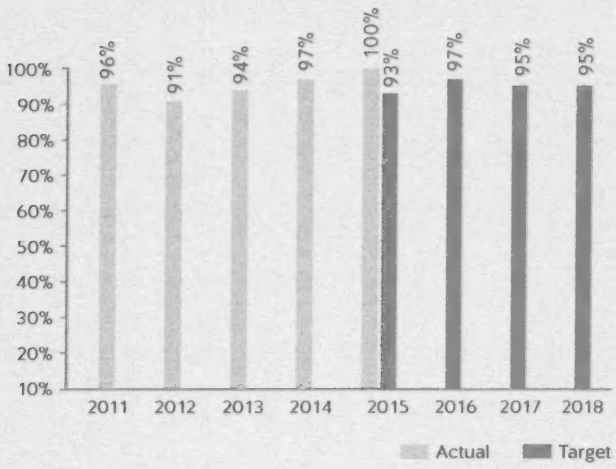
Chris Kinkaid, research and policy director for the Hospital Employee's union, says "SafeCare BC provides resources to employers to help them improve safety culture in their organizations." He cites practical tools such as policy templates, workplace signage, and a model for hosting regular safety huddles as means used by employers to bring best practices into their workplaces.

"By taking a balanced view that incorporates many voices, an impressive volume of work has been achieved in a short time." Ultimately, SafeCare BC has the ability to impact not just worker injury rates but to lower premium rates and realize additional savings for employers.

There's also the direct impact on care. Fewer injured caregivers means greater consistency in caregiving — creating a better overall quality of care and peace of mind, not only for the patient but for family members.

Key performance indicator #8: Achieve 100 percent of the target asset level

Percentage of target asset level achieved*



*** 2011–2014 results are not fully comparable to 2015–2018 results/targets due to a change in methodology to calculate the minimum required capital, which came into effect January 1, 2015. See page 48 for further information regarding the impact of the new methodology.**

Importance

As an insurer, WorkSafeBC has significant fiduciary responsibilities. This includes ensuring the compensation system remains financially viable. Meeting this objective requires targeting an asset level (or capital reserve) that is sufficient to fund future expected payments for current claims. The target asset level should include sufficient capital to cover the volatility in the point-in-time valuation of existing assets and liabilities.

WorkSafeBC invests in a diversified portfolio (see Financial Context, page 19) that includes equity investments expected to generate higher long-term returns. Higher returns allow lower long-term net employer premiums, but equity investments are subject to greater short-term variability in market value. Similarly, because WorkSafeBC's liability payments are long term in nature, they are subject to potential changes in environmental factors[34] or policies — some of which could result in significant cost increases. When either risk occurs, a significant downturn in equity values or significant unanticipated costs, we can draw on capital reserves — thereby limiting premium rate increases for employers.

Strong capital reserves serve the interests of employers by dampening the rate volatility that would otherwise arise from fluctuating returns on investments and/or unforeseen costs beyond those assumed in the liabilities.

Calculation method

WorkSafeBC determines its funding adequacy by measuring actual assets on hand against a target asset level using the following equation:

Actual Assets ÷ Target Assets

This is a variation of the method other Canadian workers' compensation organizations use to measure funding adequacy, as other organizations use only their liabilities as the denominator[35] (see Appendix A, page 133).

Setting targets

The goal for this performance indicator is 100 percent of the target assets. At 2015 year-end, the capital position of $4,515 million was made up of $2,363 million Capital Adequacy Reserve (CAR);[36] $590 million in other reserves; and the remaining $1,562 million, consisting of the unappropriated balance less accumulated other comprehensive loss. The long-term goal is to build up the capital reserve to a target CAR level (see Performance highlights, page 49). We work toward this level by setting aside funds in the CAR in financially good years. At this long-term funding level, we expect to have a sufficient capital reserve to withstand the risks inherent in the assets and liabilities (see Note 19 of the consolidated financial statements, page 126).

Each year, WorkSafeBC develops targets for the following three years by projecting financial results. We consider factors such as expected investment returns and inflation, injury rate and claim duration trends, and likely outcomes of current strategies. For the next three years, targets have been set at 97 percent (2016), 95 percent (2017), and 95 percent (2018). The targets for 2016 and 2017 were adjusted upward — due to an increase in our funded position at 2015 year-end — from those published in the *2014 Annual Report and 2015–2017 Service Plan*, at 91 percent (2016) and 89 percent (2017).

While 100 percent is the long-term goal for this KPI, values in any given year may rise above or fall below this level — particularly as equity markets rise and fall. Attaining the long-term goal of 100 percent of the target asset level depends largely on consistently earning investment returns in excess of actuarial assumptions.

Change in required capital methodology

Effective January 1, 2015, the Office of the Superintendent of Financial Institutions (OSFI) revised the methodology for determining minimum capital requirements — minimum capital factors changed in both the asset and liability categories. The result was a net increase in WorkSafeBC's required capital of about $1.1 billion as of January 1, 2015.

As part of the transition to this new methodology and to dampen the impact of this change, OSFI requires that the additional capital be phased in. The phase-in will be achieved uniformly over three years beginning January 1, 2015 (mathematically by reducing the additional $1.1 billion on a straight-line basis).

The impact of the additional required capital on key performance indicator (KPI) #8 is to lower the 2015 result and 2016–2018 targets. A higher required capital amount translates to a higher target Capital Adequacy Reserve level (and target asset level) and a lower percentage of target asset level achieved. This KPI target will be gradually lowered as the required capital increases.

($ millions)	Jan. 1, 2015 Actual	Dec. 31, 2015 Actual	Dec. 31, 2016 Target	Dec. 31, 2017 Target	Dec. 31, 2018 Target
Target Capital Adequacy Reserve — previous methodology	$3,367	$3,547	$3,689	$3,803	$3,916
Additional required capital due to revised capital factors, before phase-in	$1,112	$1,192	$1,252	$1,428	$1,504
Reduction in required capital due to three-year phase-in	($1,112)	($741)	($371)	$ —	$ —
Target Capital Adequacy Reserve — current methodology	**$3,367**	**$3,998**	**$4,570**	**$5,231**	**$5,420**
Percentage of target asset level achieved — previous methodology	97%	102%	103%	103%	103%
Impact of additional required capital due to revised capital factors, before phase-in	(6%)	(7%)	(8%)	(8%)	(8%)
Impact of reduction in required capital due to three-year phase-in	6%	5%	2%	—	—
Percentage of target asset level achieved — current methodology	**97%**	**100%**	**97%**	**95%**	**95%**

Performance highlights

At 2015 year-end, actual assets were 100 percent of the target value of assets required. A detailed calculation of this KPI is shown in the following table.

($ millions)	As at Dec. 31, 2015	As at Dec. 31, 2014
Actual assets	**$16,425**	**$15,384**
Liabilities	$11,910	$11,863
Target Capital Adequacy Reserve	$3,998	$3,367
Other reserves*	$590	$590
Target assets	**$16,498**	**$15,820**
KPI #8 (actual assets/target assets)	100%	97%

*For more information on the Capital Adequacy Reserve and other reserves, see Note 11 of the consolidated financial statements (page 120).

Major programs and strategies

To move toward an asset level of 100 percent of the target assets, we apply sound investment policies and practices, manage the employer assessment process, and reduce claim costs by helping B.C.'s industries achieve lower injury rates and higher return-to-work rates. To provide a long-term required level of investment returns without undue risk to the system, WorkSafeBC maintains a conservative and diversified investment portfolio (see Financial Context, page 19). This prudent investment approach is intended to provide, in the long term, adequate investment returns to cover inflationary increases to claim benefit liabilities.[37]

The workers' compensation system relies on employer premiums as a primary income source. To ensure timely and accurate collection of employer premiums, we work closely with employers to verify estimated payrolls, confirm receivable amounts, collect overdue accounts, and educate employers about payment obligations and potential savings opportunities. WorkSafeBC also investigates employers who default on their payments and may initiate proceedings against them, resulting in administrative penalties or court-imposed sanctions.

Claim costs relating to injured workers account for approximately 96 percent of all liabilities. WorkSafeBC acts in partnership with workers, employers, safety associations, unions, and other key stakeholders to reduce incidence of occupational injury, disease, and death (see KPI #1, page 30). When these incidents do occur, we try to resolve claims quickly, safely returning injured workers to lasting employment — which also results in reducing claim costs (see KPIs #2 and #3, pages 34 and 38).

Looking ahead

Among other factors, this KPI is based on the market value of our assets (the numerator of the benchmark ratio) so some level of volatility can be expected in the future as equity markets rise and fall. Our Board of Directors considers the financial stability and sustainability of the workers' compensation system a key priority. This goal will be achieved by maintaining an adequate level of capital — through assessment collection and prudent investment of the Accident Fund.[38]

We set assessment rates using smoothed rather than fair value accounting (see Financial Context, page 18); this approach dampens the volatility in market returns. According to WorkSafeBC policy, we draw on our Capital Adequacy Reserve as needed to moderate year-to-year average premium rate increases for employers.

Also, targets for this KPI set through 2018 reflect future investment returns that are expected to be less robust than average returns over the last 10 years.

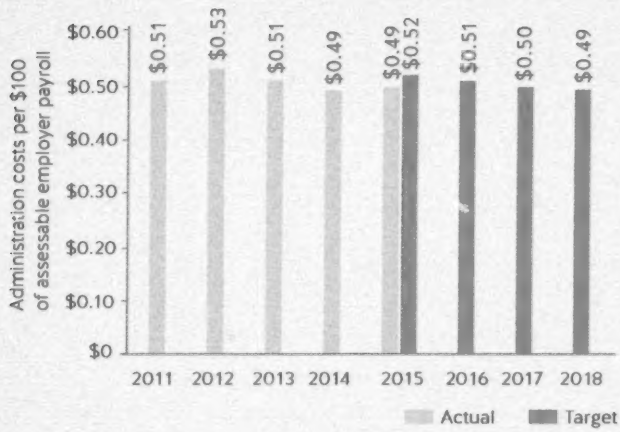
Given these factors, we anticipate relatively neutral fair value financial results in 2016, 2017, and 2018 — investment income at consumer price index (CPI) growth plus 3.0 percent to meet liability requirements, and relatively modest claim experience gains and losses. On this basis, targets for 2016, 2017, and 2018 have been set at 97, 95, and 95 percent.

In years when returns outperform assumptions, we anticipate moving closer to our long-term goal of 100 percent. However, as it is impossible to accurately forecast short-term financial market fluctuations, such outperformance is not built into our 2016–2018 targets.

Since target levels for this KPI equate to an expected funded level of about 140 percent of assets over liabilities (the comparative AWCBC measure) for 2016 through 2018, we are confident published targets reflect the system's continued viability.

Key performance indicator #9: Control administration costs

WorkSafeBC's administration costs per $100 of assessable employer payroll



Importance

We aim to provide value to our stakeholders by delivering the highest level of service in the most cost-effective manner. One way we measure our administrative efficiency is by calculating our annual administration costs per $100 of assessable employer payroll. In doing so, we can compare and monitor the cost of administering B.C.'s workers' compensation system and evaluate our year-over-year performance. An alternate measure in Appendix A, based on the Association of Workers' Compensation Boards of Canada (AWCBC) definition,[39] allows for comparison of our administration costs relative to other workers' compensation organizations in Canada.

Setting targets

Our targets for 2016–2018 are based on our 2016 business plan, which includes a three-year administration cost budget and projection of assessable payroll. The targets for 2016 and 2017 have been increased from those published in the *2014 Annual Report and 2015-2017 Service Plan*, primarily due to amended actuarial estimates of employee benefit plan expenses.

In setting our administration cost budget, we balance the need to remain cost-effective with maintaining high service levels for workers and employers. Both internal and external factors affect our performance and decision making in this area. Internally, for example, a decrease in the number of WorkSafeBC employees performing claim-related work could lower our administration costs. But such a reduction could also trigger longer rehabilitation times and lower return-to-work outcomes for injured workers, likely increasing claim costs by more than the administration costs we would save.

Externally, an improved B.C. economy could lead to an increase in the province's total assessable payroll; this would decrease our ratio of administration costs per $100 of payroll. In the same way, a decline in economic growth could have the opposite effect. Given these internal and external variables, we set targets based on best estimates of our overall capacity and relative to B.C.'s expected economic growth. This allows us to track our performance in managing administration costs.

Performance highlights

The administration cost ratio can be affected by changes to the ratio numerator (administration costs) or the denominator (the province's assessable payroll). In 2015, the administration cost ratio was $0.49, the same as the 2014 result and $0.03 below our 2015 target of $0.52.

- The 2015 result was the same as 2014 as the increase of 3.8 percent ($15.8 million) in administration costs was offset by an increase of 4.3 percent in the province's assessable payroll. The increased administration costs resulted primarily from changes in actuarial assumptions related to employee benefit costs.
- When compared to the 2015 target of $0.52, the better-than-expected result of $0.49 was due to lower administration costs than budgeted. Total administration costs for 2015 were 5.5 percent ($25.4 million) less than budget, primarily due to lower-than-planned project and employee benefit costs. Note: employee benefit costs were higher than in 2014, but lower than budgeted.

See page 68 of the Management Discussion and Analysis section for more information on the total administration cost variance. See Note 15 of the consolidated financial statements (page 124) for a breakdown of total administration costs by category and function.

Major programs and strategies

WorkSafeBC monitors and manages administration costs through a system of internal controls, including:

- Monthly reviews and analyses of administration costs, including explanations of any significant variances from plan by each division's financial manager with the chief financial officer (CFO) and corporate controller
- Monthly reporting of administration costs and variances to the president and chief executive officer (CEO) and the senior executive committee, and regular reporting to the Audit Committee of the Board of Directors
- Quarterly business plan and budget reviews with the president and CEO, CFO, and corporate controller by each division's senior vice-president and/or vice-president

Looking ahead

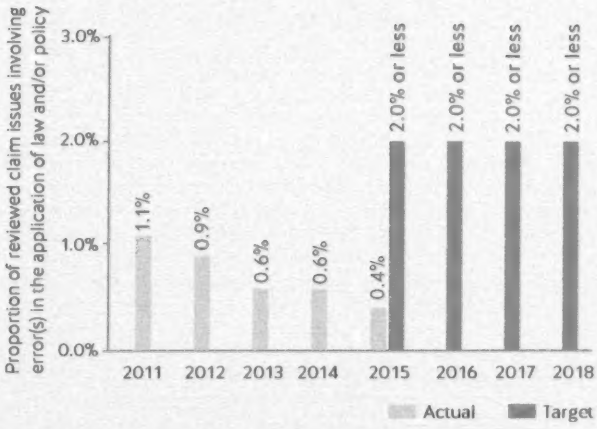
As already noted, the administration cost ratio can be affected by changes to the numerator (administration costs) or denominator (the province's assessable payroll). Going forward, we expect reductions in this ratio:

- For the numerator — Administration costs for 2016 are projected to increase by 2.4 percent from the previous year's budget; they are anticipated to increase a further 2.5 percent in 2017, and another 2.3 percent in 2018. These changes are expected mainly due to non-discretionary changes such as salary increases resulting from a new collective agreement, higher employee benefit costs as a result of changes in actuarial assumptions, and other contractual commitments.
- For the denominator — Assessable payroll is expected to increase by 4.3 percent in 2016, 4.2 percent in 2017, and 4.1 percent in 2018. These figures are based on projected changes in B.C.'s labour income as estimated by the provincial Ministry of Finance.[40]

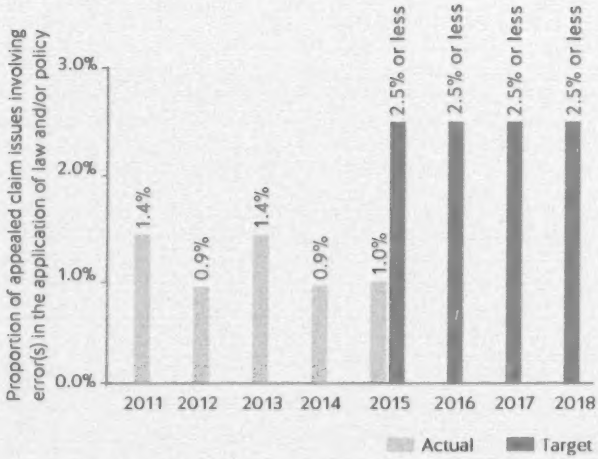
The higher than expected change in assessable payroll, compared to administration cost growth, contributes to expected reductions in this ratio in each of the coming years. We will continue monitoring and evaluating the balance between controlling our administration costs and ensuring a high quality of service while preparing to adjust that balance to best meet the needs of our stakeholders.

Key performance indicator #10: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Claim issues leading to overturned decisions due to WorkSafeBC error in law or policy — Review Division (internal)



Claim issues leading to overturned decisions due to WorkSafeBC error in law or policy — WCAT (external)



Importance

WorkSafeBC employees make thousands of decisions regarding compensation, prevention, assessment, and rehabilitation matters affecting B.C. workplaces. Their goal is to arrive at the correct decision by weighing evidence consistently and ensuring compliance with applicable law and policy. In most cases, WorkSafeBC decisions are accepted by those involved; however, workers and employers have the right to appeal decisions if they disagree with our findings.

For most decisions, two levels of appeal are available. The first level involves an impartial internal review by our Review Division, which looks to ensure appropriate decisions have been made on issues in dispute. The second level involves the Workers' Compensation Appeal Tribunal (WCAT), a final, external level of appeal for WorkSafeBC matters.

Both the Review Division and WCAT are important components of the decision-making process. Their findings offer better understanding of the principles relating to workers' compensation adjudication while highlighting the need for policy reform, enhanced employee training, or additional stakeholder education.

Setting targets

The Review Division or WCAT may reach a conclusion that differs from the original decision. This is part of the normal inquiry process. At WorkSafeBC, we track the rate of errors coded by the Review Division or WCAT in applying law and/or policy — the most objective and readily available measure of quality decision making.

WorkSafeBC has established this key performance indicator (KPI) as an indicator of quality decision making. Our Board of Directors has set the upper boundary for this KPI at a target error rate at 2.0 percent or less for initial decisions reviewed at the Review Division level and 2.5 percent or less for Review Division decisions appealed at the WCAT level. These targets have been extended to 2018.

Performance highlights

In 2015, WorkSafeBC's Review Division reviewed 15,029 issues relating to 12,323 WorkSafeBC decisions. Of the issues reviewed, 67 (0.4 percent) resulted in overturned decisions because of perceived error in the application of legislation or policy — better than the 0.6 percent in 2014.

WCAT decided on 5,255 issues relating to 3,827 completed appeals of Review Division decisions. Of these, 55 (1.0 percent) resulted in overturned decisions due to perceived error in the application of legislation or policy — slightly more than 0.9 percent in 2014. Results for both Review Division and WCAT in 2015 are better than the year's established targets.

In looking at all issue outcomes, overall, the Review Division confirmed 68 percent[41] of the issues it reviewed, slightly less than in 2014. Of the issues reviewed, 20 percent[42] were allowed or allowed in part, while 11 percent[43] were returned to the initial decision-making division for further investigation or determination.

Of the total appeals WCAT completed in 2015, 62 percent of issues were confirmed while 38 percent were allowed or allowed in part, similar to 2014 results. Both at the Review Division and WCAT, the top two issues on review and appeal were the acceptance of a claim for an injury and entitlement to compensation for a permanent partial disability.

Major programs and strategies

To ensure decisions made under the *Workers Compensation Act* are consistent with legislation, regulation, and policy, we undertake various programs to educate decision makers on appropriate methods of evidence gathering and weighing, decision making, and decision writing.

The Review Division convenes quality councils for compensation, prevention, and assessment matters. These senior-level councils, which include representatives from different areas of our organization, review ongoing issues relating to decision-making quality. They also develop plans for rectifying any identified issues. To complement this strategy, we collaborate and communicate with various areas of the organization to help identify everyday service concerns and develop and implement immediate and long-term solutions.

Through 2015, WorkSafeBC's Review Division continued the quality decision review process. Under this initiative, team managers and the quality assurance group review select decisions — either before or after decisions are issued. This involves examining the appropriate application of law and policy. Without encroaching on the independence of decision makers, review officers

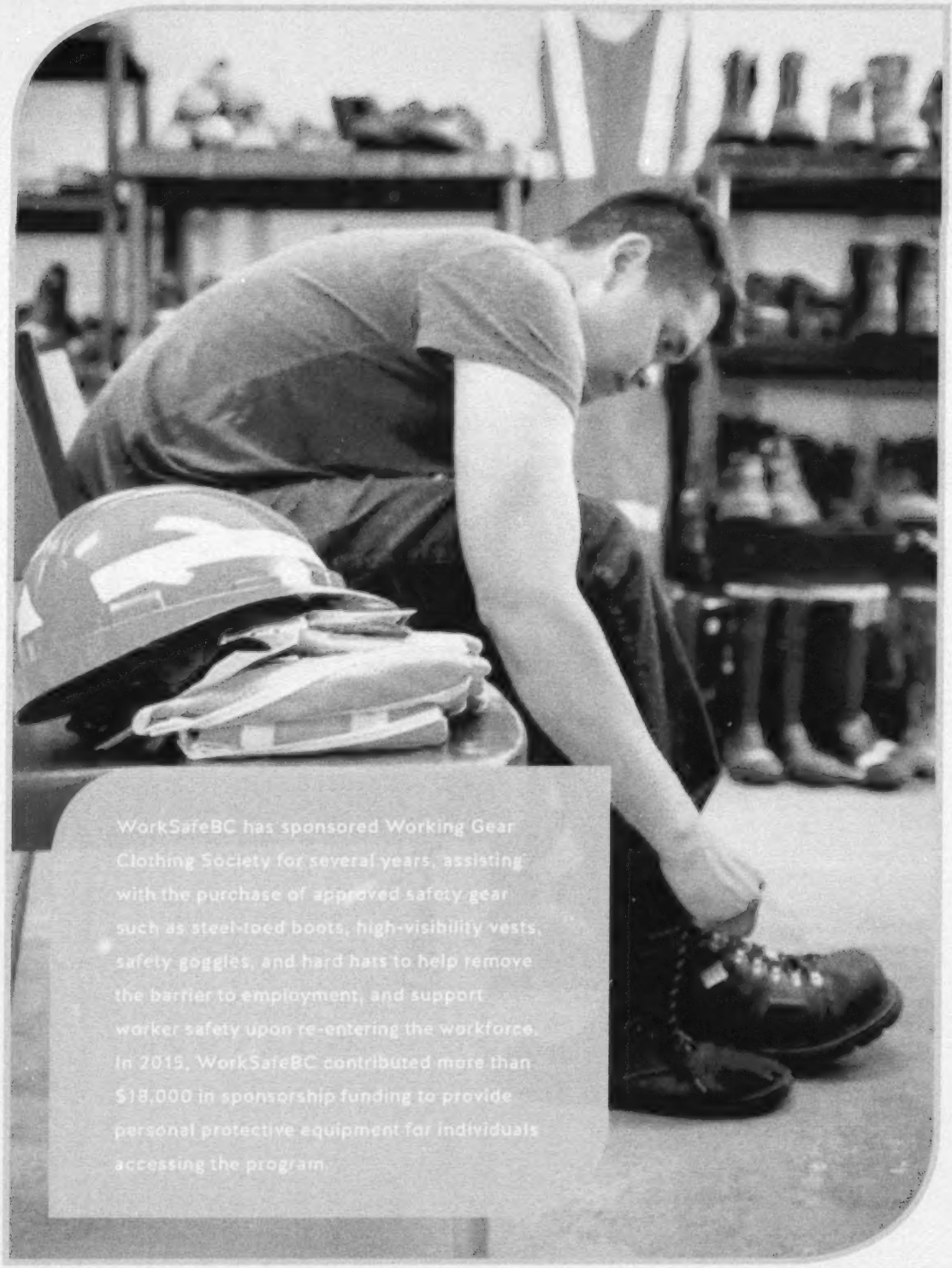
also peer review each other's draft decisions and provide constructive feedback before final decisions are released.

The Review Division's quality assurance group conducts in-depth reviews and audits of decisions as well as training in all subject areas. Audits may be conducted jointly between the Review Division and the appropriate operating division.

In 2015, the Review Division introduced a "refresher workshop" for review officers on evidence gathering and weighing in decision making and decision writing. This workshop demonstrated how to critically analyze evidence, deal with complex and varied issues, and write supportable and understandable decisions in a tight statutory time frame.

Looking ahead

The Review Division will continue providing timely, first-level dispute resolution and looking for efficiencies in decision making while remaining focused on quality and customer service. Incoming review volumes, policy changes, and staff movement will continue putting pressure on review officers that could potentially result in additional errors in law and policy. However, ongoing training and initiatives to enhance quality should help mitigate this risk. As an organization, we will continue monitoring claim and review volumes, adjusting resources where necessary.



WorkSafeBC has sponsored Working Gear Clothing Society for several years, assisting with the purchase of approved safety gear such as steel-toed boots, high-visibility vests, safety goggles, and hard hats to help remove the barrier to employment, and support worker safety upon re-entering the workforce. In 2015, WorkSafeBC contributed more than $18,000 in sponsorship funding to provide personal protective equipment for individuals accessing the program.

Corporate Social Responsibility

Community investment

Community relations

WorkSafeBC sponsors various not-for-profit organizations that align with our prevention and return-to-work mandates. A notable example is Working Gear Clothing Society. A Vancouver-based, volunteer-run charity, Working Gear assists low-income men, primarily from Vancouver's Downtown Eastside, in returning to the workplace by providing work-appropriate clothing at no cost.

Helping Hands

Helping Hands is a registered charity funded entirely by WorkSafeBC employees with infrastructure support provided by WorkSafeBC. In 2015, Helping Hands members raised $146,000 for various charities. Every year the group coordinates a donation with undesignated funds; in 2015 a donation from members of $40,000 was provided to Ronald McDonald House, BC and Yukon to fund a special play space for the children they assist.

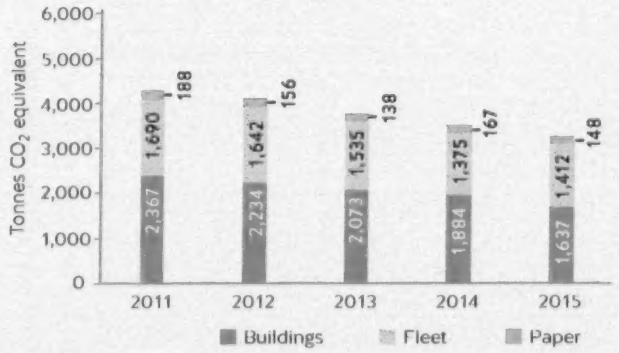
Environmental management

In keeping with our commitment to manage our impact on the environment and work to create healthier, safer, and more caring communities, WorkSafeBC strives to reduce greenhouse gas emissions and divert waste from landfills.

Greenhouse gas emissions

In 2015, we measured our greenhouse gas production from our vehicle fleet, buildings, and office paper using the province's Climate Action Plan SMARTTool.[44] During the year, we reduced our total greenhouse gas emissions by 7 percent. Our emissions from paper consumption and buildings decreased by 11 and 13 percent respectively, compared to 2014, while our emissions from fleet increased by 3 percent.[45]

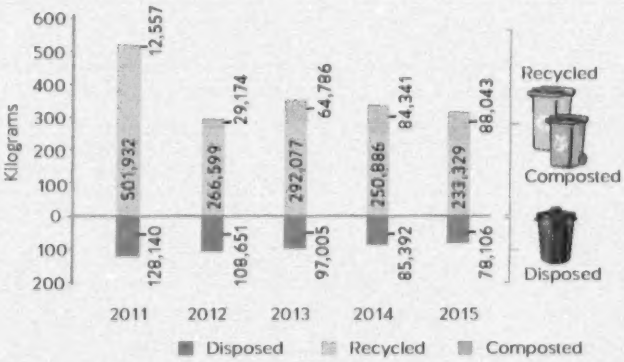
Greenhouse gas emissions



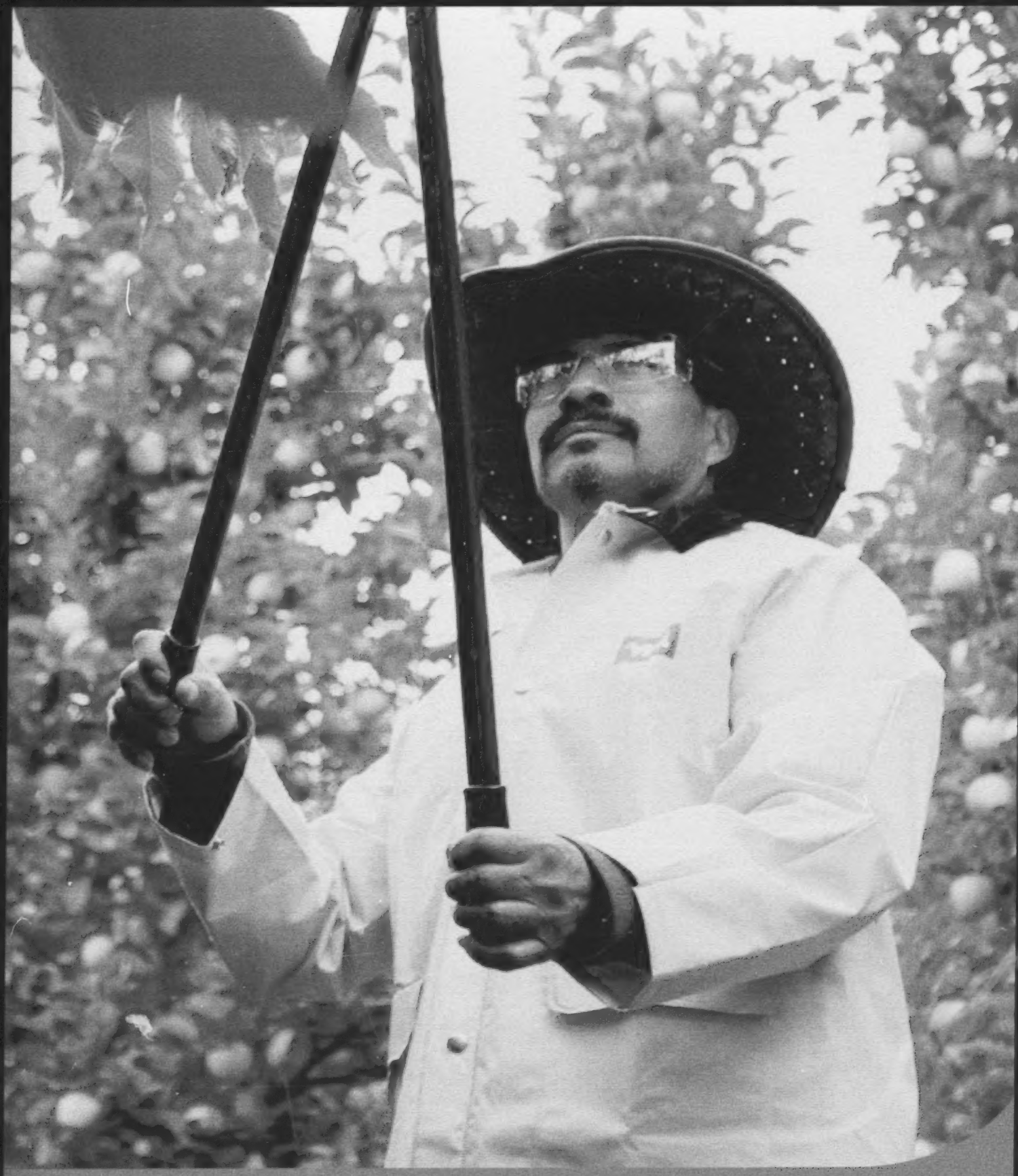
Waste diversion

In 2015, our head office in Richmond generated 21 tonnes less waste (399 tonnes total), a decrease of 5 percent over 2014. In 2015, we also sent less waste to the landfill — from 85 tonnes in 2014 to 78 tonnes. Of the waste our organization generated in 2015, we recycled 233 tonnes and composted 88 tonnes, which equates to diverting 80 percent of our total waste from the landfill.[46]

Waste diversion



Our
Finances



Management Discussion and Analysis

This Management Discussion and Analysis section provides management's perspective on WorkSafeBC's consolidated results and financial position for the year ending December 31, 2015. The following areas are discussed: funded position, premium income, investments, claims, operating costs, and a comparison to our 2015 plan. It should be read in conjunction with the consolidated financial statements and accompanying notes.

It also includes a discussion of key strategic, financial, and operational risk factors affecting current and future performance.

This report and our *Statistics 2015* publication are available at www.worksafebc.com/publications/reports. Also available online is supplementary information on WorkSafeBC's operating results, prepared based on the smoothed accounting[47] approach (the accounting method used for rate-setting purposes), including a 10-year summary table, gain and loss analysis, and statement of changes in rate group balances.

Overview of 2015 financial results

2015 and 2014 highlights

Financial highlights ($ millions)	2015	2014	Change
Portfolio investments	15,463	14,625	838
Benefit liabilities	11,402	11,386	16
Unappropriated balance	1,722	1,348	374
Accumulated other comprehensive losses	(160)	(227)	67
Reserves	2,953	2,399	554
Total funded position	4,515	3,520	995
Premium income	1,413	1,343	70
Investment income	1,306	1,458	(152)
Other income	11	10	1
Claim costs	1,550	1,778	(228)
Operating costs	252	226	26
Surplus from operations	928	807	121
Other comprehensive income (loss)	67	(144)	211
Total comprehensive income	995	663	332
Operational highlights			
Percentage of target funding level achieved (see key performance indicator #8, page 47)	100%	97%	3 points
Aggregate premium rate	$1.62	$1.63	($0.01)
Number of insured employers	225,582	221,324	4,258
Number of workers covered	2.26 million	2.22 million	0.04 million
Injury rate (see key performance indicator #1, page 30)	2.23	2.27[a]	(0.04)
Number of claims registered	145,803	146,554[b]	(751)

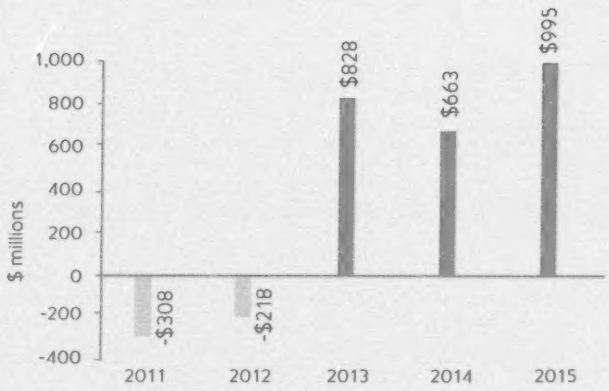
a The injury rate has been restated from that published in the *2014 Annual Report and 2015-2017 Service Plan* to reflect the data finalized in July of each year.

b The count of claims registered has been restated from that published in the *2014 Annual Report and 2015-2017 Service Plan* due to the claim consolidation process to remove duplicate claims.

WorkSafeBC's sound financial position was further enhanced in 2015 with a total comprehensive income of $995 million. This positive result was achieved even with the return of accumulated surpluses to employers by setting the 2015 base premium rate lower than the cost rate (see gain and loss table, page 60). The surplus was driven primarily by investment income that exceeded liability requirements and lower claim costs. These results allowed us to continue discounting rates, keeping the 2016 base premium rate flat at $1.70 while adding $554 million to our capital reserve — providing added security for future worker benefits.

WorkSafeBC's funding model operates on a break-even basis; premiums are intended to cover current-year claim and operating costs, while annual investment returns are expected to cover the annual interest requirement on the liability from prior-years' claims. Gains or losses arise when premiums are intentionally underpriced (to return unappropriated surplus), investment income is higher or lower than liability requirements, or actual costs differ from forecast. Factors contributing to gains or losses are best understood when our total comprehensive income for the year is presented in the gain and loss format, shown in the table that follows.

Total comprehensive income (loss)



Gain and loss table (rateable classes only)[a]

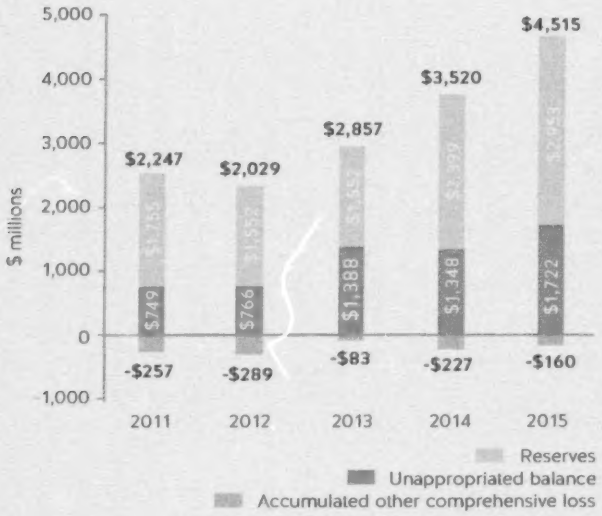
($ millions)	2015	2014	Change
Premium income deficiency in covering current-year claim and operating costs	(97)	(115)	18
Investment income excess over the annual interest requirement on the liability from prior-years' claims	821	847	(26)
Lower actuarial liabilities than previously anticipated for prior-years' claims	190	64	126
Actuarial gains on latent occupational disease liability	14	11	3
Actuarial gains (losses) on employee benefit plans	67	(144)	211
Total comprehensive income	**995**	**663**	**332**

a The gain and loss table excludes costs relating to self-insured classes, which are fully recoverable.

Funded position

WorkSafeBC's funded position is made up of the unappropriated balance, reserves, and accumulated other comprehensive loss.

Funded position



In 2015, as noted, we were able to increase our funded position (accumulated surplus) because of higher-than-required investment income and lower claim costs. The funded position increased by $995 million to $4.5 billion during the year, bringing it to 100 percent of the target level — helping us ensure the long-term financial sustainability of the workers' compensation system, a strategic objective of our Board of Directors. A more detailed discussion of our funding principles and objectives is provided in the Our Performance section (see KPI #8, page 47).

Included in the funded position are reserves with a total balance of $3.0 billion. WorkSafeBC maintains several reserves for specific purposes, as described in Note 11 of the consolidated financial statements (page 120). The Capital Adequacy Reserve (CAR) is the largest — at $2.4 billion in 2015 (2014: $1.8 billion). In 2015, $55 million was drawn down from the CAR to negate an otherwise expected increase in the average premium rate for 2016, while $609 million was appropriated from the 2015 smoothed value[48] operating surplus and added to the CAR, resulting in a net contribution of $554 million.

Changes in funded position

($ millions)	Unappropriated balance	Accumulated other comprehensive income (loss)	Reserves
Funded position — January 1, 2015	1,348	(227)	2,399
Surplus for the year	928	—	—
Actuarial gains on employee benefit plans	—	67	—
Net transfer (from) to Capital Adequacy Reserve	(554)	—	554
Funded position — December 31, 2015	**1,722**	**(160)**	**2,953**

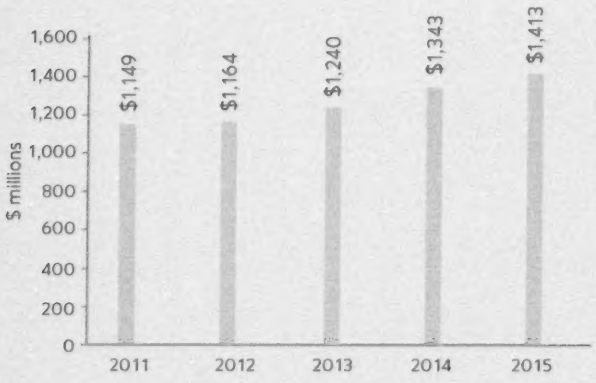
WorkSafeBC's accumulated other comprehensive income or loss consists entirely of cumulative actuarial gains or losses from post-employment employee benefit plans. In 2015, other comprehensive gains were $67 million (2014: $144 million loss), lowering the accumulated other comprehensive loss to $160 million (2014: $227 million accumulated loss). Actuarial gains in 2015 resulted primarily from an increase in plan assets. See Note 9 of the consolidated financial statements (page 106) for further information.

Note: The funded position reduced by approximately $400 million subsequent to year-end, up to March 31, 2016, due to continued downturn in the financial markets. See page 64 for further discussion.

Premium income

Premium income accounted for 52 percent of total revenue in 2015. It consists almost entirely of assessments received from rateable employers and, to a much lesser extent, self-insured employers.[49] Rateable premium income is derived primarily from total assessable payroll multiplied by the appropriate rate for each employer.

Premium income



In 2015, premium income increased due to an increase in the assessable payroll — the result of continued growth in the B.C. economy and a stable provincial unemployment rate. The increase in assessable payroll offset a slight decrease in the aggregate premium rate, as discussed on page 63.

Premium income from self-insured employers increased in 2015 due to higher claim costs incurred by these employers, as well as changes in the actuarial valuation of their benefit liabilities. Income from self-insured employers includes the recovery of claim costs paid on their behalf, an allocation of administration costs to manage compensation claims, and changes in the actuarial valuation of their benefit liabilities.

Premium income reported in the consolidated financial statements is partially based on estimates. The final premium amount for the 2015 assessment year will not be fully known until May 2016, when almost all employers will have submitted their final premium reconciliation statements. To meet the reporting deadlines for this annual report, WorkSafeBC has estimated the value of premium income based on financial data from March 2016. Given the uncertainty associated with this estimate, we tend toward a conservative approach. In the past five years, the difference between the estimated value of premium income and the final amount has not been more than 1.0 percent. Any difference between final remittances from employers and the accrued amount resulting from estimates is recognized as premium income in the following year.

Premium income

($ millions)	2015	2014	Change
Rateable employers	1,388	1,329	59
Self-insured employers	25	14	11
Total	**1,413**	**1,343**	**70**
Base premium rate	$1.70	$1.70[a]	$0.00
Aggregate premium rate	$1.62	$1.63[a]	($0.01)
Assessable payroll ($ billions)	$88.0	$84.9[b]	$3.1

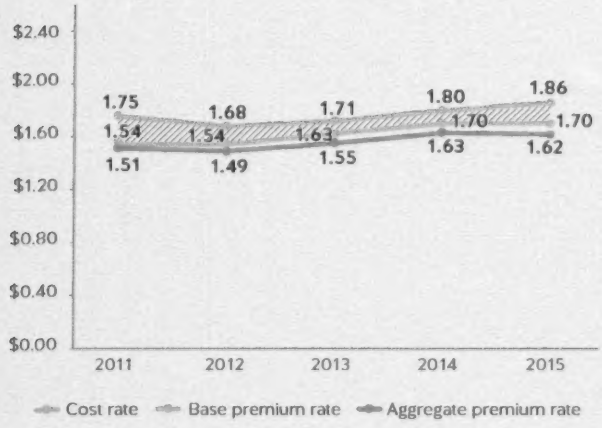
a See page 63 for an explanation of base vs. aggregate premium rate.
b The 2014 estimated assessable payroll has been updated to a final figure.

Premium rates

After nine consecutive years of reductions and flat premium rates, 2013 and 2014 saw base premium rates rise as the cost rate increased. Despite an increase in the expected cost rate, our Board of Directors held the base rate flat for 2015; it will again remain flat for 2016, at $1.70. Flat rates result from the capping of rate increases and draw-downs from the Capital Adequacy Reserve.

The chart that follows presents a five-year comparison of costs (cost rate), published premium rates (base rate), and premiums collected (aggregate premium rate).

Premium rates



Did you know?

As an incentive to maintain safe and healthy workplaces, in 2015 we returned $46 million to employers through the Partners in Injury and Disability Prevention program.

The difference between the average base rate and the cost rate, indicated by the shaded area of the chart, represents the sum of adjustments made to bring the rate below the average cost of coverage. This primarily results from excess investment returns.

- **Cost rate** — The major component of the premium rate is the expected cost rate, a prior estimated cost (e.g., the 2015 cost rate was determined in mid-2014) of new injuries and administration for the upcoming calendar year. The 2015 expected cost rate, of $1.86 per $100 of assessable payroll, was up by $0.06, primarily due to cost increases for long-term disability in 2012 and 2013 (the most recent years of experience used to establish the 2015 cost rate).
- **Base premium rate** — The base rate is the published premium rate. It is determined by deducting from or adding to the cost rate as a result of the amortization of rate group surpluses or deficits; the capping of rate increases and decreases; and other required adjustments to the rate. In 2015, the base rate was $1.70, compared to the cost rate of $1.86. In the absence of continued investment returns in excess of requirements or a reduction of costs to bring them in line with current premium rates, there will be upward pressure on future base rates to align with the cost rate.
- **Aggregate premium rate** — The aggregate premium rate is the average collected rate that reflects the actual payroll mix by industry (as compared to the projected payroll mix used in determining the cost and base rates) and imbalances arising from the experience rating plan. In 2015, the aggregate premium rate of $1.62 was lower than the base rate of $1.70; this was mainly due to experience rating plan imbalances.

Claim costs largely drive the aggregate premium rate. To reduce claim costs, WorkSafeBC acts in partnership with employers, workers, and other key stakeholders to strengthen workplace health and safety; reduce incidence of workplace injury, disease, and death; and assist workers in safe and durable return to work as soon as possible following injury.

Investments

By legislation, WorkSafeBC is required to maintain an Accident Fund that sufficiently meets all present and future costs (liabilities) for injuries arising in the current year as well as those from previous years. The Accident Fund invests in pooled funds and investment corporations managed by the British Columbia Investment Management Corporation (bcIMC). Our portfolio of these investments accounts for 94 percent of WorkSafeBC's total assets and generated 48 percent of total revenues in 2015.

Financial markets overview

Lower oil prices continued weighing on Canada's overall growth, especially in oil-producing provinces. The Bank of Canada responded to the oil price shock with two interest rate cuts in 2015. The market saw strong downward pressure on the Canadian dollar as it depreciated 19.1 percent against the U.S. dollar. A fall in bond yields benefited the fixed-income markets and the Canadian bond market gained 3.5 percent in 2015.

Equity markets had a strong start in 2015, reversing in the third quarter due to concerns over a slowing global economy. The Canadian equity market was down 8.3 percent in the year, while foreign equity markets reported low single-digit gains (in local currency) for 2015. A depreciating Canadian dollar favourably impacted WorkSafeBC's foreign equity returns, after foreign holdings were translated into Canadian dollars.

Financial markets downturn subsequent to year-end

Since 2015 year-end, financial markets have experienced a high degree of volatility, with global stock markets falling significantly in January 2016, in part due to the price of oil falling to a 12-year low. In February and March 2016, most markets rebounded somewhat on positive economic news and increasing oil prices; however, with the increase in the price of oil, the Canadian dollar has also appreciated. While a lower Canadian dollar helped increase the market value of the Accident Fund's foreign holdings in 2015, the appreciating currency has had the opposite effect in the first quarter of 2016.

Given the negative currency impact, as of March 31, 2016 the investment portfolio lost approximately $400 million or 2.7 percent.[50]

Portfolio investments

The following chart shows the grouping of various types of investments by asset allocation category. In 2015, the portfolio value increased by $838 million — from $14.6 billion to $15.5 billion. This increase reflects $1.3 billion of investment income (discussed on page 65), less the amount of withdrawals required to fund claim payments and operating costs not covered by current-year premiums.

Portfolio investments

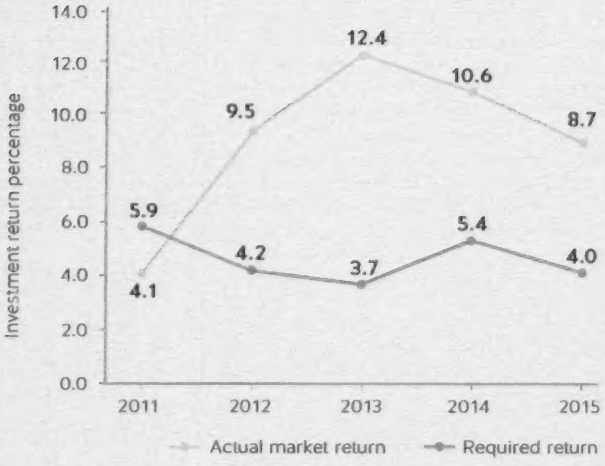
Portfolio investments

($ millions)	2015	2014	Change
Fixed-income	3,490	3,168	322
Equities	7,559	7,004	555
Inflation-sensitive	3,816	4,054	(238)
Other	598	399	199
Total	**15,463**	**14,625**	**838**

In 2015, our investment portfolio continued to be well-positioned, with WorkSafeBC's Investment Committee maintaining the investment portfolio close to its target weights (slightly underweight fixed-income and inflation-sensitive assets and overweight equity). Asset allocation targets[51] established under our investment policy are prudent; more than half the assets are allocated to fixed-income and inflation-sensitive investments. By year-end, the investment portfolio consisted of 22 percent fixed-income, 49 percent equity, 25 percent inflation-sensitive assets, and 4 percent other assets (compared respectively to related investment policy targets of 25, 43, 32, and 0 percent).

We anticipate a continued but gradual increase in the market values of our investments over the long term. The investment portfolio returned 8.7 percent in 2015, compared to gains of 10.6 percent in 2014 and 12.4 percent in 2013. Portfolio investment returns exceeded WorkSafeBC's return requirement[52] of 4.0 percent for the year. Annual variations in market return should be viewed against longer-term results, shown in the chart that follows.

Market return vs. required return



Investment income

In 2015, investment income of $1.3 billion was $152 million lower than in 2014. Most major stock markets reported losses, as noted in the Financial markets overview section; however, WorkSafeBC's investments returned 8.7 percent — primarily due to exchange gains from investments held in foreign currencies (e.g., U.S. dollars and Euros). WorkSafeBC's equity, inflation-sensitive,[53] fixed-income, and other investments had positive returns of $894 million, $317 million, $86 million, and $9 million, respectively. Income distributions accounted for more than half of 2015 investment income; net realized and unrealized market value gains accounted for the remainder, as shown in the table below.

Investment income

Investment income

($ millions)	2015	2014	Change
Income distributions from investments	758	556	202
Net realized gains on investments	502	315	187
Net unrealized gains on investments	46	587	(541)
Total	**1,306**	**1,458**	**(152)**

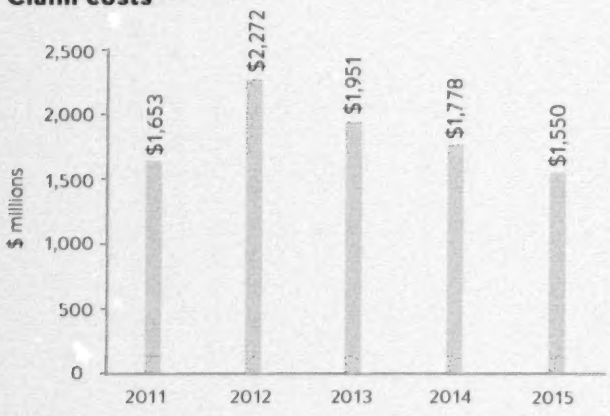
Claims

Workers' compensation claims make up WorkSafeBC's largest cost and liability.

Claim costs

Claim costs consist of benefit payments and the change in actuarial valuation of benefits. In 2015, our overall claim costs decreased by $228 million. Benefit payments were $1.5 billion (marginally higher than 2014) while actuarial valuation adjustments were $16 million (a $230 million decrease from 2014 offset the $2 million benefit payment increase, resulting in the net claim cost decrease). A breakdown of these costs is noted in the table below.

Claim costs



Benefit payments include an internal allocation of costs for the Vocational Rehabilitation department and claim administration. Benefit payments and the change in actuarial valuation of benefit liabilities are discussed in further detail in the next two sections.

Benefit payments

Short-term disability payments of $279 million in 2015 were slightly lower than 2014. Total days paid for short-term disability claims for both years were approximately 2.6 million, at average daily rates of $107.51 in 2015 and $106.96 in 2014. In 2015, we continued focusing resources on the most complex claims to assist injured workers with their recovery and return to work or transition to vocational rehabilitation services.

Long-term disability payments, the largest category of payments WorkSafeBC makes on an annual basis, totalled $497 million in 2015. These payments were $5 million higher than in 2014. There was a decrease in the number of new pension awards in 2015; however, the average award cost was higher than in 2014 due in part to the inflationary impact on wage rates.

Survivor benefit payments have been flat at $67 million, remaining at the same level for the last four years.

Health care payments increased by one percent ($3 million) in 2015 to $331 million. The increase in health care costs was mainly in physiotherapy services, which were offset by reduced use of expedited surgery, mental health services, and physician services, keeping total health care payments relatively stable compared to 2014.

Claim costs

	2015			2014			
($ millions)	Benefit payments	Change in actuarial valuation of benefit liabilities	Total	Benefit payments	Change in actuarial valuation of benefit liabilities	Total	Change
Short-term disability	279	(12)	267	282	(7)	275	(8)
Long-term disability	497	43	540	492	146	638	(98)
Survivor benefits	67	3	70	67	30	97	(27)
Health care	331	4	335	328	48	376	(41)
Vocational rehabilitation	108	3	111	117	17	134	(23)
Claim administration	252	(26)	226	246	4	250	(24)
Latent occupational disease	—	1	1	—	8	8	(7)
Total	**1,534**	**16**	**1,550**	**1,532**	**246**	**1,778**	**(228)**

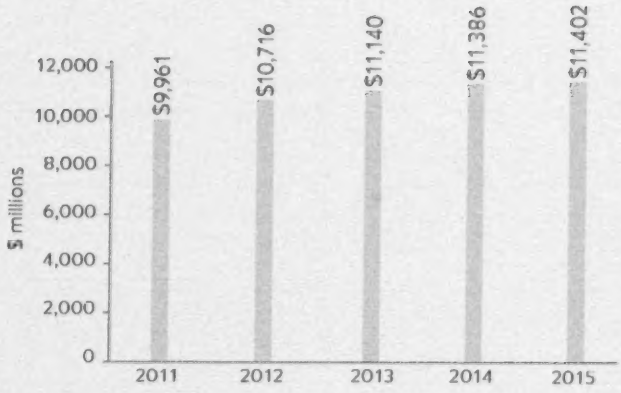
Vocational rehabilitation benefit payments decreased by $9 million in 2015, to $108 million. These expenditures reflect a reduction in new referrals of injured workers to our vocational rehabilitation program. A high percentage of workers receiving vocational rehabilitation are continuing to successfully return to work (see KPI #3, page 38).

In 2015, claim administration payments totalling $252 million increased by $6 million from the prior year. These costs are discussed in the overall explanation of administration costs, in the Operating Costs section (page 68).

Claim benefit liabilities

Claim benefit liabilities represent an estimate of the present value of future payments to be made on claims, and are calculated based on actuarial assumptions. The methods and assumptions used by WorkSafeBC and resulting liability valuations are reviewed by an independent actuary (see Actuary's Report on page 76).

Benefit liabilities



In 2015, total benefit liabilities increased by $16 million or about 0.1 percent. This small overall increase was attributed to factors shown in the table that follows. The largest increase was $43 million (for long-term disability) while the largest decrease was $26 million (for claim administration). The increase in long-term disability liability reflects a projected mortality improvement in 2015, plus normal liability accretion.[54] The decrease in claim administration liability was mostly due to a lower average claim administration expense rate in 2015.

Benefit liabilities

	2015				2014				
($ millions)	Unfinalled claims	Pension awards	Future claims	Total	Unfinalled claims	Pension awards	Future claims	Total	Change
Short-term disability	309	—	—	309	321	—	—	321	(12)
Long-term disability	1,809	4,448	—	6,257	1,811	4,403	—	6,214	43
Survivor benefits	107	841	—	948	105	840	—	945	3
Health care	2,541	—	—	2,541	2,537	—	—	2,537	4
Vocational rehabilitation	309	—	—	309	306	—	—	306	3
Claim administration	687	—	—	687	713	—	—	713	(26)
Latent occupational disease	—	—	351	351	—	—	350	350	1
Total	**5,762**	**5,289**	**351**	**11,402**	**5,793**	**5,243**	**350**	**11,386**	**16**

In estimating benefit liabilities, the two most important underlying assumptions are the net discount rate and anticipated future payment pattern.

Net discount rate — Expected future benefit payments are discounted to arrive at a present value liability amount. A 1.0 percent change in the overall discount rate would see liabilities shift by approximately $1.3 billion. See Note 10 of the consolidated financial statements, page 113, for further information on net discount rates used in calculating the various components of benefit liabilities.

Future payment pattern — Benefit liabilities consist of two major categories (excluding the liability for long-latency occupational diseases, see below). Each category incorporates an estimate of the future payment pattern:

- Pension awards, capitalized values — the present value of monthly annuities (or pensions) already awarded to workers (long-term disability) or the survivors of deceased workers. As the award amounts are already known, the potential estimation error in this $5.3 billion liability is relatively small.
- Provision for unfinalled claims — the present value of estimated future payments relating to injuries that have already occurred or diseases already diagnosed, but where a pension award has not (in some cases) been made. The unfinalled claims liability is currently estimated at $5.8 billion. While WorkSafeBC cannot determine the exact measure of uncertainty in the unfinalled claim liability estimate, historical data suggests it could range from plus or minus 20 percent (or about $1.2 billion).

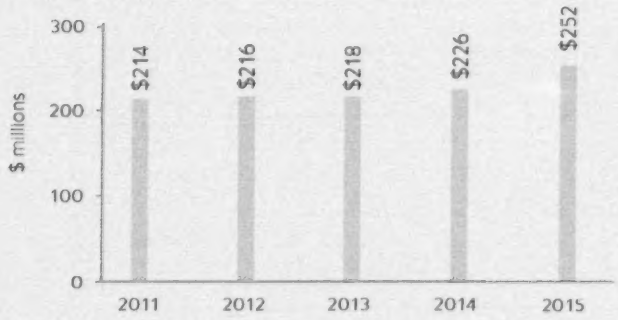
Factors such as short-term disability duration, the success of vocational rehabilitation in returning injured workers to employment, the likelihood of injured workers receiving long-term disability awards, rising costs associated with increased use of health care services, and general economic conditions could all influence a change in liability value. Judicial or legislative decisions that alter policy or scope of coverage and/or accounting and actuarial standards changes could also affect the valuation of benefit liabilities.

Provision for future long-latency occupational disease claims — Workers' compensation organizations are required to recognize a liability for long-latency occupational diseases. These are occupationally-caused diseases (for which there has already been some exposure to the disease-causing agent), recognized as compensable, expected to manifest as claims in future years. At December 31, 2015, this liability was valued at $351 million.

Operating costs

Operating costs include administration costs, injury research and reduction initiatives, and investment costs. In 2015, operating costs increased by $26 million over 2014; administration costs — the largest component of operating costs — increased by $13 million (see table, page 69).

Operating costs



In 2015, WorkSafeBC's prevention costs increased by 4.4 percent or $3 million while administration costs (including claim administration) increased by 3.6 percent or $13 million. The increase in prevention costs is primarily associated with an increase in the number of prevention officers. The increase in claim and other administration costs relates primarily to an actuarial adjustment to the valuation of employee benefit plan liabilities (i.e., a lower discount rate was used, resulting in higher plan liabilities).

Claim administration payments relate to the portion of operating costs incurred to adjudicate claims for compensation, manage claims, and process claim payments. These payments are excluded from total operating costs as they are already included as a claim cost, in keeping with the standardized financial statement presentation used by workers' compensation organizations in Canada.

We measure administration cost efficiency using the ratio of annual administration costs per $100 of assessable payroll. This measure is a key performance indicator (KPI) for WorkSafeBC. In 2015, the administration cost ratio was $0.49, the same as 2014 — and better than our 2015 budgeted ratio of $0.52. See KPI #9, page 50, for further discussion.

In 2015, expenses for injury research and reduction initiatives were $5 million higher due to increased funding of occupational health and safety initiatives. The $3 million increase in assessment bad debts in 2015 was due to a larger number of write-offs resulting from a project to

clean up the inventory of insolvent accounts, as well as a higher provision for doubtful accounts (due to an increase in the balance of accounts over 60 days).

Investment costs increased by $8 million in 2015, mainly because of an increase in the portfolio value and transitioning the portfolio to higher allocations in equity and inflation-sensitive asset classes, which had higher fees (and returns) than fixed-income assets.

Operating costs

($ millions)	2015	2014	Change
Prevention costs	67	64	3
Administration costs	369	356	13
Less: Claim administration payments	(252)	(246)	(6)
	184	**174**	**10**
Injury research and reduction initiatives	17	12	5
Bad debts	9	6	3
Investment costs	42	34	8
Total	**252**	**226**	**26**

Comparison to plan

Each year, WorkSafeBC prepares *pro forma* financial projections as part of its annual business planning process. Performance targets for KPIs #8 and #9 (see pages 47 and 50) are based on these projections. By design, our projections are conservative in nature.

($ millions)	2015 actual	2015 plan	Favourable (unfavourable) variance
Premium income	1,413	1,378	35
Investment income	1,306	839	467
Other income	11	5	6
Total revenues	**2,730**	**2,222**	**508**
Claim costs	1,550	2,083	533
Operating costs			
Prevention and administration costs	436	461	25
Less: Claim administration payments	(252)	(270)	(18)
Injury research and reduction initiatives	17	17	—
Bad debts	9	9	—
Investment costs	42	37	(5)
Total expenses	**1,802**	**2,337**	**535**
Operating surplus (deficit)	928	(115)	1,043
Other comprehensive income	67	—	67
Total comprehensive income (loss)	**995**	**(115)**	**1,110**
Aggregate premium rate	$1.62	$1.64	($0.02)
Funding level (AWCBC[a] metric)	138%	127%	11 points
Percentage of target funding level achieved	100%	93%	7 points

a Association of Workers' Compensation Boards of Canada

Our total comprehensive income in 2015 was $995 million, which was $1.1 billion better than planned. We had anticipated a loss due to setting premiums at a lower rate than required to cover current-year costs, in order to return a portion of previously accumulated surplus to employers (see gain and loss table in the Overview section, page 60). However, due in large part to lower-than-planned claim costs (a favourable variance of $533 million) and high returns earned on the investment portfolio (a favourable variance of $467 million) the year ended with an operating surplus.

Premium income was favourable for the year due to higher-than-planned current-year assessments resulting from a larger provincial assessable payroll and unbudgeted revisions to prior-year assessment revenues. Investment income was budgeted in accordance with our long-term investment return assumption at the required rate of return; the actual return for the year exceeded the required return, as noted in the Investments section (see page 65).

Claim costs were less than planned due to lower-than-expected claim liabilities, primarily from lower-than-budgeted long-term disability, health care, and claim administration liabilities. Operating costs were also under budget for the year. The favourable variance in prevention and administration costs was due primarily to lower payroll and employee benefit costs, and lower project and depreciation costs than planned.

An unplanned $67 million gain on the actuarial valuation of employee benefit plans (reflected in the other comprehensive income category in the table above) added to the total favourable variance. This gain is due primarily to better-than-expected returns on plan assets.

In 2015, funding for the Accident Fund was 138 percent (assets compared to liabilities) while the percentage of the target asset level achieved was 100 percent (assets compared to the target asset requirement level). Both measures were better than projected due to higher-than-expected total comprehensive income in 2015.

Did you know?

British Columbia's injury rate is at a historical low, see KPI #1, page 30.

Risk

Risk management

Our strategic framework requires that management review external and internal factors to assess the risks facing our organization — including risks to programs, operations, finances, information, facilities, and staff required by WorkSafeBC to provide ongoing services to British Columbians.

Like any organization, we are susceptible to risks that could lead to significant consequences if unmitigated. As such, we have established internal controls, policies, and processes to assist in containing those risks. An Internal Audit department, reporting regularly to the Audit Committee of the Board of Directors, conducts operational and control audits to test for compliance. The Audit Committee also receives semi-annual reporting on key risk factors, including an assessment of the potential impact of identified risks and the likelihood they will occur, and an assessment of the effectiveness of risk management procedures (referred to as the Enterprise Risk Management plan).

The following chart shows the 2015 assessment of residual risks for 11 categories, from low (green) to extreme (red). Residual risk assessment considers the processes and controls in place to manage risk. Key strategic, financial, and operational risk factors are discussed below.

Occupational health and safety

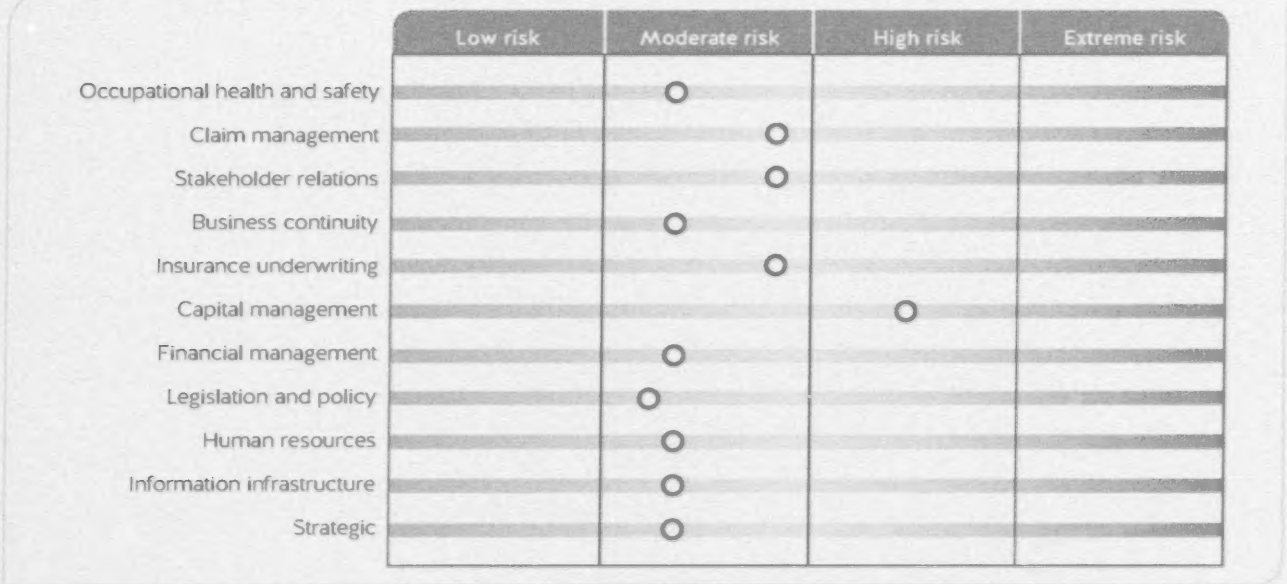
Occupational health and safety risk is considered moderate. Our prevention strategy, coupled with the efforts of B.C.'s workers, employers, health and safety associations, and other safety partners, is helping maintain a low provincial injury rate. Maintaining a low injury rate is paramount, as a lower rate means fewer workers injured through work-related incidents. Each one percent increase in the number of injuries also increases system costs by approximately $13 million and, by extension, the annual premium rate by one percent.

We will continue working with our business and labour partners to address occupational health and safety risks; focus on emerging issues; engage in proactive enforcement targeting high-risk sectors; and support injury prevention education and awareness and occupational disease risk-reduction programs.

See KPI #1 (page 30) for further discussion of the provincial injury rate.

Claim management

Our claim management risk is rated as moderate. Although the timeliness of short-term disability payments narrowly missed the target in 2015 (at 18.1 days, compared to a target of 18.0), it has been improving over the last four years. Return-to-work rates for workers on short-term disability and injured workers receiving vocational rehabilitation both exceeded targets in 2015. Our efforts returned 82.6 percent of injured workers to work by the 26-week mark (compared to the target of



81.0 percent), while 81.0 percent of injured workers receiving vocational rehabilitation also returned to work (compared to the target of 76.0 percent).

See KPIs #2, #3, and #4 (pages 34, 38, and 39) for further discussion of WorkSafeBC's claim management and return-to-work programs.

Stakeholder relations

As our customer service and public confidence ratings remain favourable, our stakeholder relations risk has been assessed as moderate. Customer service improvement continues to be a priority. WorkSafeBC gathers feedback through regular surveys and focus groups, allowing us to better understand the needs of our customers and measure interactions that drive stakeholder perceptions of our organization. Consequently, we can better tailor business decisions to meet the needs of workers and employers and improve overall service.

See KPIs #5, #6, and #7 (pages 40, 42, and 43, respectively) for further discussion of WorkSafeBC's customer service and public awareness programs.

Business continuity

Our business continuity risk is considered moderate as WorkSafeBC has a tested corporate business continuity plan in place to ensure critical services can be maintained or expeditiously restored in the event of a business disruption. Tests have included a facilitated analysis of a simulated emergency situation at a WorkSafeBC facility and have involved our emergency response team, communications staff, and senior executives.

Insurance underwriting

WorkSafeBC's insurance underwriting risk is rated moderate as there is always the possibility of pressure to artificially limit premium rates, which could impact the workers' compensation system's financial health. However, ongoing efforts aim to mitigate risk in this area. They include: monitoring the financial health and ongoing viability of rate groups and industry pools; the actuarial model and assumptions used to price rate group premiums and liabilities; and communicating with stakeholders on rate-setting methodology and the importance of maintaining an appropriate funding level. See page 63 for a discussion of premium rates.

Capital management

Capital management has a high residual risk rating because we are managing an investment portfolio valued at $15.5 billion and many investment risks cannot be directly controlled. This includes significant market swings, geopolitical events, and interest rate changes driven by global monetary, fiscal, and trade policies.

To manage these types of risks, WorkSafeBC has a prudent investment policy with oversight from a board-appointed Investment Committee, and a capital adequacy policy to mitigate market volatility and uncertainty in estimated liabilities.

To be a financially sound insurer WorkSafeBC aspires to meet risk capital tests, such as those imposed on private insurers by regulatory authorities. WorkSafeBC's capital adequacy policy,[55] setting out a target asset level, is based on guidelines issued by the Office of the Superintendent of Financial Institutions (OSFI). While WorkSafeBC is not subject to OSFI regulatory oversight, our decision to voluntarily adopt a capital coverage target is in keeping with our strategic objective of a financially sustainable system. At year-end 2015, WorkSafeBC's funding level was at 100 percent of the target capital level. Further information on the capital management strategy and funding level is provided in the discussion for KPI #8 (see page 47).

Additional disclosure on WorkSafeBC's investment risk management is provided in Note 4 of the consolidated financial statements, pages 93–97.

Financial management

Our financial management risk is rated as moderate. WorkSafeBC's management is responsible for maintaining cost-effectiveness and accountability in the services we deliver. As such, we have implemented a system of internal controls to ensure appropriate financial policies and procedures are in place as well as the reliability of our financial information and reporting.

Claim and administration costs are managed through formal budgeting, monthly reporting, and variance analysis procedures. Our claim management system and Business Information and Analysis department provide reports and analyses to help us manage claim costs. Administration costs are compared against other Canadian workers' compensation organizations, as reported in Appendix A (see page 133).

Fraud and abuse are risks faced by every organization, particularly those with an insurance function. Through a fraud prevention strategy, WorkSafeBC is committed to effective fraud risk management.

Legislation and policy

Our legislation and policy risk is considered moderate. Every day, WorkSafeBC employees make thousands of decisions regarding compensation, prevention, assessment, and rehabilitation affecting workers and employers. To improve consistency in decision making and ensure compliance with applicable legislation, regulation, and policy, this process is subject to both internal review and external appeal. See KPI #10, page 51 for further discussion on decision-making improvement efforts.

Human resources

WorkSafeBC's human resources risk is classed as moderate. Our Human Resources division monitors risk factors associated with employee training and development, talent management and succession planning, staff health and safety, and labour relations, ensuring appropriate plans are in place to mitigate related risks.

Information infrastructure

Our information infrastructure risk has been rated as moderate. As we rely on information technology to successfully fulfill our mandate, the security of personal records, reliability of data, and robustness of information systems are essential to our operations. To mitigate the risk of a system failure or breach, WorkSafeBC has security measures to protect all critical data and systems. We also maintain a technology recovery plan that, if activated, would allow key systems to be restored and essential services maintained.

Strategic

WorkSafeBC's strategic risk is considered moderate. Our Board of Directors is legislatively responsible for setting the organization's priorities and planning for its future. The current strategic plan, *Safe Work & Outstanding Service — WorkSafeBC's Strategic Plan 2012–2017*, covers the six-year period until the end of 2017. This strategic plan is outlined in the Our Performance section of this annual report; progress in meeting our objectives is measured and discussed starting on page 24.

Through 2016 and 2017, the Board of Directors and senior management will renew the strategic planning process to address challenges in the operating environment that WorkSafeBC is likely to face in the coming years.

Accounting standards

The financial statements in this annual report were prepared in accordance with International Financial Reporting Standards (IFRS). Accounting standards continue to evolve and some future changes could significantly impact WorkSafeBC's financial reporting. We are closely monitoring the International Accounting Standards Board (IASB) project currently underway for insurance contracts (IFRS 4), including any consequential impact to accounting for financial instruments (IFRS 9). A new standard for lease accounting (IFRS 16) was issued in January 2016 and is not expected to materially impact our financial statements.

Consolidated Financial Statements

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Responsibility for financial reporting

WorkSafeBC's management is responsible for preparing the accompanying consolidated financial statements in accordance with International Financial Reporting Standards. These consolidated financial statements include some amounts based on management's best estimates and judgments.

Management is responsible for the integrity and fairness of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that relevant and reliable financial information is produced and that assets are safeguarded from loss.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and has approved the consolidated financial statements and other financial information included in this annual report.

The Audit Committee assists the Board of Directors in discharging its responsibilities. This committee reviews and recommends approval of the consolidated financial statements and meets periodically with management, internal and external actuaries, and internal and external auditors concerning internal controls and all other matters relating to financial reporting.

WorkSafeBC's actuarial staff performs an annual actuarial valuation of the claim benefit liabilities included in the consolidated financial statements of WorkSafeBC.

Eckler Ltd. has been appointed as the independent peer review actuary to WorkSafeBC. Its role is to complete an independent review of the annual actuarial valuation of the claim benefit liabilities included in WorkSafeBC's consolidated financial statements, and to report thereon in accordance with accepted actuarial practice.

The Internal Audit department performs audits to test the adequacy and consistency of WorkSafeBC's internal controls, practices, and procedures.

WorkSafeBC's external auditor is the Auditor General of British Columbia. The Auditor General has full and unrestricted access to the Audit Committee. The Auditor General has performed an independent audit of WorkSafeBC's consolidated financial statements in accordance with Canadian generally accepted auditing standards. The Auditor General's report outlines the scope of this independent audit and her opinion on the consolidated financial statements of WorkSafeBC.

Diana Miles, BA, CHRP
President and Chief Executive Officer
WorkSafeBC

Brian Erickson, MBA, CPA, CGA
Chief Financial Officer
WorkSafeBC

April 21, 2016

Eckler

Actuary's opinion

The liabilities included herein have been computed by WorkSafeBC in accordance with methods and assumptions approved by us. We reviewed the calculations and performed tests to confirm their accuracy and the reasonableness of results. We have also examined the data upon which the calculations were based and found it to be sufficient and reliable for the purpose of the valuation and consistent with WorkSafeBC's financial statements.

The liabilities under pension awards, capitalized values are for pensions in payment, and include the effect of cost-of-living increases granted effective January 1, 2016. They have been computed using the same assumptions used for the valuation as at December 31, 2014. A net interest rate of 4.0 percent was used to discount pensions. This rate makes implicit provision for the future indexing of pensions on the assumption that investment earnings on WorkSafeBC's assets will exceed increases in the Consumer Price Index (CPI) by 3.0 percent per year, over the long-term, and that indexing will be provided at CPI minus 1.0 percent. The mortality rates used make allowance for future mortality improvements. In addition, the liabilities have been adjusted to reflect the anticipated improvements since 2012, the last time the mortality rates were reviewed.

The provision for unfinalled claims represents the liabilities for future claims costs in respect of injuries which occurred during 2015 and prior years, including future pensions other than those already in payment, and future claim administration expenses. It is based on projections of future claim payments and awards using ratios developed from WorkSafeBC's claims experience, average benefit rates, net discount rates reflecting the real rate of return above and, where applicable, the mortality and other assumptions used for computing pension liabilities (including an adjustment for anticipated mortality improvements since 2012). The health care liability is calculated assuming that health care costs will increase at the same rate as investment returns, resulting in a net discount rate for this liability of 0 percent.

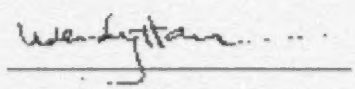
The methods used in calculating the above mentioned liabilities were substantially the same as those employed in the previous valuation as at December 31, 2014.

The latent occupational disease liability is for future benefit payments on occupational disease claims that will be diagnosed in the future, but for which some exposure to disease-causing agents has already occurred. The estimated future benefits are discounted to the valuation date and are adjusted to reflect the estimated portion of the total latency period exposure which has already transpired.

In our opinion, the data are sufficient and reliable for the purposes of the valuation, the assumptions made and the methods used are appropriate for the purposes of the valuation. In our opinion, the resulting amounts set out below make reasonable provision, as at December 31, 2015, for the future benefit and claims administration expenditures of WorkSafeBC in respect of injuries to December 31, 2015. Our review has been carried out, and our opinions given, in accordance with accepted actuarial practice in Canada.

($ thousands)	**Pension awards, capitalized values**	**Provision for unfinalled claims**	**Latent occupational disease**	**Total**
Benefit liabilities:				
Short-term disability	—	309,241	—	309,241
Long-term disability	4,447,814	1,809,342	—	6,257,156
Survivor benefits	841,315	106,887	—	948,202
Health care	—	2,540,713	—	2,540,713
Vocational rehabilitation	—	308,577	—	308,577
Claim administration	—	687,518	—	687,518
Latent occupational disease	—	—	350,330	350,330
	5,289,129	**5,762,278**	**350,330**	**11,401,737**

Richard A. Border, FIA, FCIA



Wendy F. Harrison, FSA, FCIA

Actuaries with the firm of Eckler Ltd.

April 13, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Workers' Compensation Board of British Columbia, and
To the Minister of Jobs, Tourism and Skills Training and Minister Responsible for Labour, Province of British Columbia

I have audited the accompanying consolidated financial statements of the Workers' Compensation Board of British Columbia ("the Entity"), which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in funded position, and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Workers' Compensation Board of British Columbia as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Carol Bellringer

Victoria, British Columbia
April 22, 2016

Carol Bellringer, FCPA, FCA
Auditor General

Consolidated statement of financial position ($ Canadian thousands)

	Note	December 31, 2015	December 31, 2014
Assets			
Cash	6	122,959	—
Receivables	3	471,658	419,924
Portfolio investments	4	15,463,210	14,624,835
Property and equipment	5	195,345	199,170
Intangible assets	5	65,133	76,678
Benefit asset of employee pension plan	9	107,018	63,260
Total assets		**16,425,323**	**15,383,867**
Liabilities and funded position			
Outstanding payments	6	26,078	23,170
Payables and accruals	7	60,882	59,225
Injured workers' retirement benefit liability	8	54,522	42,985
Employee benefit liabilities	9	366,788	351,914
Claim benefit liabilities	10	11,401,737	11,385,921
Total liabilities		**11,910,007**	**11,863,215**
Unappropriated balance		1,722,076	1,348,248
Accumulated other comprehensive loss		(159,760)	(226,596)
Reserves	11	2,953,000	2,399,000
Total funded position		**4,515,316**	**3,520,652**
		16,425,323	**15,383,867**

The accompanying notes are an integral part of the consolidated financial statements.

Authorized for issue on April 21, 2016, on behalf of the WorkSafeBC Board of Directors:

John Beckett, CRSP, CHRP, MBA
Chair, Board of Directors
WorkSafeBC

Alan Cooke, FCIA, FSA
Chair, Audit Committee
WorkSafeBC

Consolidated statement of comprehensive income for the years ended December 31 ($ Canadian thousands)

	Note	2015	2014
Income			
Premiums	12		
Rateable employers		1,388,407	1,329,557
Self-insured employers	13	24,856	13,833
		1,413,263	1,343,390
Investments	4		
Interest income		59	221
Income distributions from pooled funds		677,081	484,778
Income from investment entities		81,346	71,511
Net realized gains on investments		501,520	315,070
Net unrealized gains on investments		46,228	586,859
		1,306,234	1,458,439
Other income	14	10,534	9,809
Total income		**2,730,031**	**2,811,638**
Expenses			
Claim costs	10		
Benefit payments		1,533,627	1,531,507
Changes in actuarial valuation of benefit liabilities		15,816	246,040
		1,549,443	1,777,547
Prevention and administration costs	15		
Prevention costs		67,116	64,314
Administration costs		368,819	355,799
Less: Claim administration costs		(251,845)	(246,093)
		184,090	174,020
Injury research and reduction initiatives	16	16,948	12,421
Investment costs	4	42,399	34,192
Bad debt expense	3	9,323	6,073
Total expenses		**1,802,203**	**2,004,253**
Surplus for the year		**927,828**	**807,385**
Other comprehensive income (loss)			
Items that will not be subsequently reclassified to income or expenses			
Actuarial gains (losses) on employee benefit plans	9	66,836	(143,909)
Total comprehensive income		**994,664**	**663,476**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in funded position ($ Canadian thousands)

	Note	December 31, 2015	December 31, 2014
Unappropriated balance — opening balance		1,348,248	1,387,863
Surplus for the year		927,828	807,385
Appropriation to Capital Adequacy Reserve	11	(554,000)	(847,000)
Unappropriated balance — closing balance		**1,722,076**	**1,348,248**
Accumulated other comprehensive loss — opening balance		(226,596)	(82,687)
Actuarial gains (losses) of employee benefit plans	9	66,836	(143,909)
Accumulated other comprehensive loss — closing balance		**(159,760)**	**(226,596)**
Reserves — opening balance	11	2,399,000	1,552,000
Appropriation to Capital Adequacy Reserve from unappropriated balance	11	554,000	847,000
Reserves — closing balance		**2,953,000**	**2,399,000**
Total funded position		**4,515,316**	**3,520,652**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the years ended December 31 ($ Canadian thousands)

	Note	2015	2014
Cash obtained from (used for) operating activities			
Cash received from:			
Employers' premiums		1,361,803	1,336,546
Other		10,534	9,809
		1,372,337	1,346,355
Cash paid to:			
Claimants or third parties on behalf of claimants		(1,281,782)	(1,285,414)
Employees and vendors for goods and services		(384,827)	(399,220)
		(1,666,609)	(1,684,634)
Net cash flow used for operating activities		**(294,272)**	**(338,279)**
Cash obtained from (used for) investing activities:			
Interest income		59	221
Sale of portfolio investments (net of external investment management fees — see note 4)		4,208,216	2,822,530
Purchase of portfolio investments		(3,781,859)	(2,461,166)
Sale of property, equipment, and intangible assets		382	327
Purchase of property, equipment, and intangible assets		(12,475)	(22,141)
Net cash flow from investing activities		**414,323**	**339,771**
Net increase in cash and outstanding payments		120,051	1,492
Outstanding payments — January 1		(23,170)	(24,662)
Cash and outstanding payments — December 31	6	**96,881**	**(23,170)**

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements for the year ended December 31, 2015

Note 1 — Nature of operations

General information

WorkSafeBC administers the *Workers Compensation Act* (the Act) for the British Columbia (B.C.) Ministry Responsible for Labour. WorkSafeBC has its corporate office in Richmond, B.C., Canada, with area offices in various locations throughout the province. Under the Act, WorkSafeBC's primary functions include: promoting occupational health and safety; compensating for occupational injury, disease, or death; rehabilitating injured workers; collecting the funds necessary for its operations from employers covered under the Act; and managing the portfolio investments.

Premium rates are established at a level to provide for current and future costs of claims and operations arising from current claims, subject to a capping policy to moderate excessive changes in rates from year to year. When considered necessary, WorkSafeBC may also levy a special premium. For rate-setting purposes, unappropriated balance and accumulated other comprehensive income (loss) are amortized on a five-year averaging basis through adjustments to future premium rates.

WorkSafeBC does not receive government funding or other financial assistance. The Act requires an Accident Fund be maintained to meet all present and future costs and liabilities for injuries arising in the current and previous years. The financial strategy of WorkSafeBC is to accumulate adequate capital reserves to mitigate the risks in its assets and liabilities. While International Financial Reporting Standards (IFRS) are the reporting basis for the consolidated financial statements, WorkSafeBC applies a smoothed accounting method for the funding policy (see Financial Context, page 18). This policy helps manage premium rate volatility caused by short-term financial market fluctuations.

Note 2 — Significant accounting policies

Unless otherwise stated, all dollar amounts are in thousands of Canadian dollars.

Basis of preparation

WorkSafeBC's consolidated financial statements have been prepared in accordance with IFRS in effect as at December 31, 2015, adopted by the Canadian Accounting Standards Board as Canadian generally accepted accounting principles for publicly accountable enterprises. WorkSafeBC presents its consolidated statement of financial position in order of liquidity. The principal accounting policies applied in preparing the consolidated financial statements are set out below.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for the carrying value of land, which is measured at deemed cost (fair value at the date of transition to IFRS), and certain financial assets and liabilities, which are measured at fair value, as explained in the accounting policies below.

Basis of consolidation

WorkSafeBC invests in private placements, foreign real estate, and strategic assets through investment entities. In each case, WorkSafeBC owns 100 percent of the participating, non-voting shares of the entity and the British Columbia Investment Management Corporation (bcIMC); WorkSafeBC's investment manager, owns one non-participating voting share of the entity. The voting share gives bcIMC full authority to manage these investment entities on WorkSafeBC's behalf. WorkSafeBC controls the investment entities as WorkSafeBC is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to affect those returns through its power over the entities. The substance of the relationship between WorkSafeBC and the investment entities indicates they are controlled by WorkSafeBC. Investment entities are fully consolidated from the date on which control is transferred to WorkSafeBC; they are deconsolidated from the date that control ceases. WorkSafeBC has consolidated financial statements of 50 (2014: 61) investment entities within these financial statements.

Note 2 — continued

Transactions, balances, and unrealized gains/losses on transactions between WorkSafeBC and the investment entities are eliminated.

Use of estimates and measurement uncertainty

In accordance with IFRS, WorkSafeBC's consolidated financial statements include management's judgments, assumptions, and estimates of the reported amounts of assets and liabilities as at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting periods presented. As a result, some reported amounts are subject to measurement uncertainty. Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Assumptions and estimates are reviewed on an ongoing basis, with any related revisions recorded in the period when they are adjusted. Consequently, actual results may differ from management's best estimates by material amounts. Claim benefit liabilities and costs (see Note 10), claim administration costs (see Note 10), accrued premiums (see Note 12), employee benefit assets, liabilities, and costs (see Note 9), and Level 3 portfolio investments (see Note 4) are the most significant items reflecting estimates in these consolidated financial statements.

Specific accounting policies and related critical judgments

To facilitate better understanding of WorkSafeBC's consolidated financial statements, significant accounting policies and related critical judgments (where applicable) are disclosed in the notes of the accounting topics.

Note	Topic	Page
3	Receivables	84
4	Portfolio investments	86
5	Property, equipment, and intangible assets	97
6	Cash and outstanding payments	100
7	Payables and accruals	100
8	Injured workers' retirement benefit liability	101
9	Employee benefit assets, liabilities, and costs	102
10	Claim benefit liabilities and costs	111
11	Reserves	120
12	Premiums	121
13	Self-insured employers	123
14	Other income	124
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16	Injury research and reduction initiatives	125

Changes in accounting policy

International Financial Reporting Standards that came into effect during the year

There are no new standards, interpretations, or amendments, effective for the first time from January 1, 2015, that had a material effect on the financial statements.

International Financial Reporting Standards issued but not in effect in 2015

IFRS 9 (2014) (*Financial Instruments*) was issued in July 2014, with mandatory adoption for reporting periods on or before January 1, 2018, and early adoption permitted. It permits a new measurement category, Fair Value through Other Comprehensive Income (FVOCI), for business models whereby some financial instruments are held for the purpose of collecting contractual cash flows and for sale purposes. IFRS 9 (2014) also contains a new impairment model that will result in earlier recognition of losses. WorkSafeBC is considering the impacts of this revised standard in conjunction with future implementation of Phase 2 of IFRS 4 (*Insurance Contracts*).

IFRS 15 (*Revenues from Contracts with Customers*) was issued in May 2014; it replaced IAS 18 (*Revenue*), IAS 11 (*Construction Contracts*), and related interpretations on revenue recognition. The new standard does not apply to insurance contracts. It is effective for reporting periods beginning January 1, 2017, with earlier adoption permitted. WorkSafeBC's consolidated financial statements are not expected to be materially affected by this standard.

Amendments to IAS 16 (*Property, Plant and Equipment*) and IAS 38 (*Intangible Assets*), issued in May 2014 and effective for annual periods beginning on or after January 1, 2016, clarified acceptable methods for depreciation and amortization. WorkSafeBC's consolidated financial statements are not expected to be materially affected by these amendments.

Note 2 — continued

Amendments to IAS 1 (*Disclosure Initiative*), effective for annual periods beginning on or after January 1, 2016, provide guidance on how to apply the concept of materiality in practice. WorkSafeBC's consolidated financial statements will not be materially affected by these amendments.

Amendments to IFRS 10 (*Consolidated Financial Statements*), IFRS 12 (*Disclosure of Interests in Other Entities*), and IAS 28 (*Investment in Associates*, clarifying the exemption from preparing consolidated financial statements), were issued in December 2014 and effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. As WorkSafeBC consolidates its investment entities within its financial statements, the consolidated financial statements will not be materially affected by these amendments.

IFRS 16 (*Leases*) was issued in January 2016 and replaced IAS 17 (*Leases*). The new standard is effective for reporting periods beginning January 1, 2019, with earlier adoption permitted. WorkSafeBC's consolidated financial statements are not expected to be materially affected by this standard.

Future accounting and reporting changes

The IASB is continually improving and developing new accounting standards and has issued several exposure drafts of new standards expected to come into effect over the next several years. WorkSafeBC regularly monitors IASB work plans and publications to assess any potential impact.

Revisions to standards that could have significant impact on WorkSafeBC include Phase 2 of IFRS 4 (*Insurance Contracts*). At December 31, 2015, this project was in the exposure draft phase of development; thus, the impact of the new standard could not be determined.

Note 3 — Receivables

Accounting policy

Receivables are non-derivative financial assets, not quoted in an active market, with fixed or determinable payments. They primarily arise from premiums, but also incorporate other types of contractual monetary assets. Under IFRS 9 receivables are classified as amortized cost financial assets and recorded at fair value on initial recognition; they are subsequently measured at amortized cost. The carrying value of these items approximates fair value due to its short-term nature.

Accrued premiums

Employers are required to periodically report their assessable payrolls and remit premiums owing. The employer deadline for reporting and remitting for the period ending December 31 is not until after year-end, so WorkSafeBC estimates the unremitted portion of premium revenue. The accrual of premiums is calculated using the estimated assessable payroll for the year and applying current-year premium rates. The estimated assessable payroll is determined using the actual reported payroll and projected payroll to December 31, taking into account economic changes in the province.

Self-insured employers

The receivable from self-insured employers represents a provision for expected future costs of current claims for self-insured classes, for which the final settlement has not been determined. This receivable also includes unpaid current billings.

Note 3 — continued

Receivables

	December 31, 2015	December 31, 2014
Premiums receivable		
Premiums and accrued premiums (Note 12)	327,517	308,984
Self-insured employers (Note 13)	140,150	105,184
	467,667	414,168
Prepaid expenses	16,076	13,666
Other receivables	18,376	18,938
Provision for doubtful accounts	(30,461)	(26,848)
Total	**471,658**	**419,924**

Changes in the provision for doubtful accounts are as follows:

	Premiums receivable	Other receivables	Total
January 1, 2014	**15,700**	**8,892**	**24,592**
Additions	11,052	4,201	15,253
Write-offs	(5,173)	(2,405)	(7,578)
Reductions	(4,979)	(440)	(5,419)
December 31, 2014	**16,600**	**10,248**	**26,848**
Additions	14,276	5,140	19,416
Write-offs	(7,286)	(2,700)	(9,986)
Reductions	(4,953)	(864)	(5,817)
December 31, 2015	**18,637**	**11,824**	**30,461**

The total net addition to the provision for doubtful accounts in relation to premiums receivable in 2015 is $9,323 (2014: net addition of $6,073).

The current portion of receivables is estimated to be $352,197 (2014: $329,951).

Credit risk

Premiums receivable are from the employers of B.C. and comprise the full range of credit ratings of all employers. Their credit risk is largely subject to the economic circumstances they face; in periods of economic slowdown, credit risk is increased if some employers experience financial difficulties. The maximum credit risk exposure is the carrying value of $467,667 (2014: $414,168).

Other receivables, not past due or impaired, have minimal credit risk due to the nature of the counter-party. These are primarily composed of: the goods and services tax (GST) refund receivable from the Government of Canada, of $1,622 as at December 31, 2015 (December 31, 2014: $1,101); and vendor deposits, of $1,707 as at December 31, 2015 (December 31, 2014: $1,584). For the remainder of other receivables, the maximum credit risk exposure is the carrying value of $3,223 (2014: $6,005).

Note 3 — continued

Liquidity risk

The age of receivables past due but not impaired is as follows:

	December 31, 2015	December 31, 2014
Up to 90 days	8,401	5,988
91–180 days	1,220	2,353
181–360 days	5,368	5,201
361+ days	2,405	2,720
Total	**17,394**	**16,262**

Accounts receivable determined to be individually impaired include: employer accounts on which WorkSafeBC has obtained judgments attaching liens to land and insolvent accounts, of $3,753 as at December 31, 2015 (December 31, 2014: $5,381); and other specific employers with evidence of unlikely collection, totalling $4,624 (December 31, 2014: $3,479).

Note 4 — Portfolio investments

Accounting policy

WorkSafeBC invests in fixed-income, equity, inflation-sensitive, and other investments. The inflation-sensitive category includes asset classes with valuations that are affected by the inflation rate over the long term. The investments are held directly, through pooled fund products, and through investment entities managed by the British Columbia Investment Management Corporation (bcIMC).

Classification

IFRS 9 (2010) (*Financial Instruments: Classification and Measurement*) was early adopted effective January 1, 2011. This standard requires that reporting entities classify financial assets based on the objective of an entity's business model for managing its financial assets and the characteristics of the contractual cash flows. IFRS 9 (2010) permits two classifications for financial assets: fair value through profit or loss (FVTPL) and amortized cost.

All WorkSafeBC's portfolio investments, except directly held fixed-income securities, are classified as FVTPL investments. As permitted under IFRS 9 (2010), WorkSafeBC elected to designate its investment in directly held fixed-income securities as FVTPL investments. All portfolio investments are reported at fair value. The amounts by which fair value for these investments differ from cost represent unrealized gains or losses. Unrealized gains or losses are recognized as investment income on the consolidated statement of comprehensive income.

Unconsolidated structured entities

WorkSafeBC invests in pooled funds, with objectives ranging from achieving short-term investment income to long-term capital growth. As at December 31, 2015, WorkSafeBC's interests ranged from 0 percent (rounded) to 50 percent of the net assets of pooled funds held directly (2014: 0–62 percent), and varying percentages of pooled funds held through investment entities — none individually significant. WorkSafeBC's investments in these funds do not satisfy the elements for control and have not been consolidated. The majority of funds are managed by bcIMC. WorkSafeBC holds redeemable units in each of its investee funds that entitle the holder to a proportional share in the respective fund's net assets.

These investments are carried at fair value and presented as part of the portfolio investments in the consolidated statement of financial position. The change in fair value of the pooled funds is included in the consolidated statement of comprehensive income in net unrealized gains on investments.

WorkSafeBC's maximum exposure to loss from its interest in the pooled funds is equal to the total fair value of its investments.

Recognition and measurement

WorkSafeBC uses trade-date accounting for the purchase and sale of all financial instruments in its investment portfolio. Transactions are recorded on the date an agreement is entered (the trade date), not on the date the transaction is finalized (the settlement date). If the transaction involves interest, it is also recorded on the trade date. Where there are investment transactions pending settlement at December 31, this is disclosed as a receivable or payable.

WorkSafeBC's portfolio investments are measured at fair value. The fair values of foreign currency exchange contracts and directly held fixed-income securities are based on dealer-quoted prices or derived from valuation methods involving directly observable market data. Pooled funds are valued based on WorkSafeBC's share of the net asset value of the pooled fund. The fair values of foreign real estate, private placement, renewable resources, and infrastructure investments are based on the fair values of the net assets and supported by independent appraisals using the most appropriate valuation techniques for each investment type (see below — fair value hierarchy).

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amount and an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Currency hedging contracts are accounted for on this basis.

Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the consolidated statement of financial position date. Revenues and expenses are translated at the exchange rates in effect on the transaction date. Foreign currency exchange gains/losses for these investments are recorded in the same manner as other investment gains or losses.

Income recognition

Investment income includes interest income, income distributions from pooled funds, and income from investment entities.

For directly held fixed-income securities, WorkSafeBC applies the effective interest rate method for income recognition.

WorkSafeBC recognizes investment income from pooled funds when the income is distributed from the fund to unitholders. These distributions are automatically reinvested into the pool.

Income from private placement, infrastructure, renewable resources, and foreign real estate investment vehicles is recognized through consolidation (see Note 2 — basis of consolidation). The consolidated financial statements include the investment entities' income and expenses, with all inter-company transactions eliminated on consolidation.

Fair value adjustments at the reporting date are disclosed as unrealized gains or losses in the consolidated statement of comprehensive income. When an investment is sold, the cumulative unrealized gain or loss is reclassified as a realized gain or loss in investment income on the consolidated statement of comprehensive income in the year of disposition.

Current portion

The realization of portfolio investments is dependent upon operational needs to ensure adequate cash is available for payment of WorkSafeBC's obligations, mainly benefit liabilities (see Note 10 for the estimated percentage of payments expected for the next 12 months) and administration expenses.

Portfolio investments

	December 31, 2015			
	Investments in pooled funds	Investments held directly	Investments held through investment entities	Total
Fixed-income investments				
Money market funds	638,482	—	—	638,482
Money market	—	26,486	—	26,486
Government bond	—	5,923	—	5,923
Bond funds	2,442,101	—	—	2,442,101
Mortgage funds	377,065	—	—	377,065
	3,457,648	32,409	—	3,490,057
Equity investments				
Canadian equity funds	1,518,503	—	—	1,518,503
U.S. equity funds	1,656,720	—	—	1,656,720
International equity funds	1,972,636	—	—	1,972,636
Global equity funds	757,700	—	—	757,700
Emerging markets equity fund	709,536	—	—	709,536
Currency hedging contracts	—	(15,710)	—	(15,710)
Private placements	—	—	959,355	959,355
	6,615,095	(15,710)	959,355	7,558,740
Inflation-sensitive investments				
Infrastructure	—	—	1,008,951	1,008,951
Renewable resources	—	—	233,350	233,350
Domestic real estate fund	2,180,316	—	—	2,180,316
Foreign real estate	—	—	438,191	438,191
Currency hedging contracts	—	(44,331)	—	(44,331)
	2,180,316	(44,331)	1,680,492	3,816,477
Other investments				
All Weather Fund	597,936	—	—	597,936
Total	**12,850,995**	**(27,632)**	**2,639,847**	**15,463,210**

Note 4 — continued

Portfolio investments

	December 31, 2014			
	Investments in pooled funds	Investments held directly	Investments held through investment entities	Total
Fixed-income investments				
Money market funds	297,605	—	—	297,605
Bond funds	2,502,086	—	—	2,502,086
Mortgage fund	367,638	—	—	367,638
	3,167,329	—	—	3,167,329
Equity investments				
Canadian equity funds	1,681,034	—	—	1,681,034
U.S. equity funds	1,824,640	—	—	1,824,640
International equity funds	1,430,977	—	—	1,430,977
Global equity funds	635,003	—	—	635,003
Emerging markets equity fund	649,773	—	—	649,773
Currency hedging contracts	—	785	—	785
Private placements	—	—	782,030	782,030
	6,221,427	785	782,030	7,004,242
Inflation-sensitive investments				
Real-return bond	—	5,702	—	5,702
Real-return bond fund	276,501	—	—	276,501
Infrastructure	—	—	826,423	826,423
Renewable resources	—	—	220,347	220,347
Domestic real estate fund	2,520,336	—	—	2,520,336
Foreign real estate	—	—	212,553	212,553
Currency hedging contracts	—	(7,646)	—	(7,646)
	2,796,837	(1,944)	1,259,323	4,054,216
Other investments				
All Weather Fund	399,048	—	—	399,048
Total	**12,584,641**	**(1,159)**	**2,041,353**	**14,624,835**

Note 4 — continued

Hedging contracts assets and liabilities offset

WorkSafeBC has an enforceable right of offset with counterparties for its currency hedging contract sets, and intends to settle these on a net basis. All contracts have settlement dates within one year. The following table discloses the gross amounts of hedging contracts offset within the tables on pages 88 and 89.

	Gross amount of receivable contracts	Gross amount of payable contracts	Net amount offset presented in the consolidated statement of financial position	Allocated to: Equity investments	Allocated to: Inflation-sensitive investments
December 31, 2015					
Liabilities	1,366,238	(1,428,799)	(62,561)	(15,710)	(46,851)
Assets	441,299	(438,779)	2,520	—	2,520
Net total liabilities presented in portfolio investment assets			**(60,041)**	**(15,710)**	**(44,331)**
December 31, 2014					
Liabilities	521,430	(538,282)	(16,852)	(3,210)	(13,642)
Assets	488,229	(478,238)	9,991	3,995	5,996
Net total liabilities presented in portfolio investment assets			**(6,861)**	**785**	**(7,646)**

Investment income

	2015 Fixed-income investments	Equity investments	Inflation-sensitive investments	Other investments	Total
Interest income	—	—	59	—	59
Income distributions from pooled funds	92,049	374,105	210,927	—	677,081
Income from investment entities					
Infrastructure	—	—	49,481	—	49,481
Private placements	—	16,028	—	—	16,028
Foreign real estate	—	—	11,224	—	11,224
Renewable resources	—	—	4,613	—	4,613
	—	16,028	65,318	—	81,346
Realized gains on investments	10,491	338,023	152,363	643	501,520
Unrealized (losses) gains on investments	(16,463)	165,495	(111,139)	8,335	46,228
Total	**86,077**	**893,651**	**317,528**	**8,978**	**1,306,234**

Investment income — continued

	2014				
	Fixed-income investments	Equity investments	Inflation-sensitive investments	Other investments	Total
Interest income	—	—	221	—	221
Income distributions from pooled funds	110,676	306,030	68,072	—	484,778
Income from investment entities					
Infrastructure	—	—	43,656	—	43,656
Private placements	—	20,418	—	—	20,418
Foreign real estate	—	—	4,424	—	4,424
Renewable resources	—	—	3,013	—	3,013
	—	20,418	51,093	—	71,511
Realized gains on investments	23,942	266,596	23,340	1,192	315,070
Unrealized gains on investments	57,894	307,068	204,443	17,454	586,859
Total	**192,512**	**900,112**	**347,169**	**18,646**	**1,458,439**

Investment expenses

	2015	2014
External investment management fees	41,447	33,236
Internal investment management fees	952	956
Total	**42,399**	**34,192**

Fair value hierarchy

Portfolio investments have been classified into a three-level fair value hierarchy in accordance with IFRS 7 (*Financial Instruments: Disclosures*). Fair value hierarchy levels are defined as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities. They offer the most persuasive evidence of fair value and are used whenever possible.
- Level 2 inputs are market-based inputs that are directly or indirectly observable but not considered Level 1-quoted prices. They consist of: i) quoted prices for similar assets or liabilities in active markets; ii) quoted prices for identical assets or liabilities in non-active markets (e.g., markets with few transactions and where prices are not current or price quotations vary substantially); iii) inputs other than quoted prices that are observable (e.g., interest rates, yield curves, volatilities, credit risks, and default rates); and iv) inputs derived from, or corroborated by, observable market data.
- Level 3 inputs are unobservable inputs. They reflect assumptions about market pricing using the best internal and external information available. The valuation approaches applied are the most appropriate for the type of investments.

The fair values of portfolio investments are adjusted to incorporate the counter-party risk of non-performance. In certain situations, WorkSafeBC uses inputs to measure the fair value of asset positions that fall into different levels of the fair value hierarchy. In these situations, WorkSafeBC will determine the level in which the fair value falls based on the lowest-level input that is significant to determining the fair value. Fund holding is the unit of account applied for classification within the fair value hierarchy; as a result, WorkSafeBC does not have any Level 1 holdings. The fair values of assets and liabilities measured by level of input are as follows:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
December 31, 2015				
Fixed-income investments	—	3,490,057	—	3,490,057
Equity investments	—	6,599,385	959,355	7,558,740
Inflation-sensitive investments	—	(44,331)	3,860,808	3,816,477
Other investments	—	597,936	—	597,936
Total portfolio investments at fair value	**—**	**10,643,047**	**4,820,163**	**15,463,210**
December 31, 2014				
Fixed-income investments	—	3,167,329	—	3,167,329
Equity investments	—	6,222,212	782,030	7,004,242
Inflation-sensitive investments	—	274,557	3,779,659	4,054,216
Other investments	—	399,048	—	399,048
Total portfolio investments at fair value	**—**	**10,063,146**	**4,561,689**	**14,624,835**

Portfolio investments measured at fair value using significant unobservable inputs (Level 3) are as follows:

	2015	2014
Opening balance as at January 1	4,561,689	4,261,580
Net realized and unrealized gains	340,069	304,224
Purchases	686,150	422,720
Settlements	(767,745)	(426,835)
Closing balance as at December 31	**4,820,163**	**4,561,689**

There were no transfers of assets between levels in either 2015 or 2014.

Net unrealized gains of $1,088,179 attributable to assets held at December 31, 2015 (December 31, 2014: $1,062,435) are included within the net unrealized gains in Level 3 equity instruments.

Valuation techniques

WorkSafeBC's investment portfolio is measured at fair value on a recurring basis; fair values are determined as the net asset value, as provided by the fund administrator (bcIMC) for pooled funds. bcIMC obtains the values for each holding annually, as determined by external managers and valuators using accepted industry valuation methods most suitable for the type of business or property held by the funds.

Note 4 — continued

The following table provides information regarding the valuation techniques employed for assets directly held by hierarchy level, and significant unobservable inputs for each.

Level 2 assets		Level 3 assets	
Valuation technique	**Significant unobservable inputs**	**Valuation technique**	**Significant unobservable inputs**
Market approaches:		Market approaches:	
• Derived from external quotations	N/A	• Appraisals • Third-party transactions	Adjustment to current conditions and attributes of comparables
• Net asset values provided by fund administrators	N/A		
		Income approaches:	
		• Discounted cash flows	Longer-term operating margin and discount rate for lack of liquidity
		• Earnings multiples	Variability of earnings and discount rate for lack of liquidity

With respect to changes to the unobservable inputs in the table above, WorkSafeBC does not have sufficient information to provide sensitivities on the fair values of the related investments.

Investment risk management

WorkSafeBC's Board of Directors is responsible for developing policies to ensure adequate funding of the Accident Fund, and for approving investments of funds under Section 82(2)(c) of the *Workers Compensation Act*. To this end, the Board of Directors has developed an investment policy specifying the asset allocation target and limits for investing funds. To assist the Board in discharging these responsibilities, it has appointed an Investment Committee consisting of internal and independent external voting members. This committee manages WorkSafeBC's investment portfolio under the parameters set out by the Board of Directors' statement of investment policies and goals for the Accident Fund.

Under the direction of the Investment Committee, within the parameters established by the Board of Directors, management and investment of the portfolio is carried out by bcIMC.

Portfolio investment disclosures show the investments in pooled funds by type of fund (i.e., the primary investment focus), while investments held directly are shown by investment type. Many of the pooled funds hold cash, net investment receivables and payables, and/or small amounts of other investments outside their primary investment focus. For the purpose of describing WorkSafeBC's exposure to investment price and currency risks in pooled funds, the risk analysis has been prepared using the holdings of funds; thus, the risks described are indirect risks, and indivisibly linked to the exposure of the underlying fund assets.

Credit risk management

Credit risk on financial instruments arises from the possibility of a counter-party to an instrument failing to meet its obligations. WorkSafeBC does not have material direct credit risk exposure; however, WorkSafeBC has indirect credit risk exposure through its investments in pooled funds.

WorkSafeBC is exposed to direct credit risk through debt insruments held directly and held through investment entities. Issuers of debt instruments — including government, non-government, and other counter-parties — must have a strong credit rating

Note 4 — continued

to be eligible for consideration by WorkSafeBC as a directly held investment. Debt instruments held through investment entities, totaling $253 million, are not rated and are held in conjunction with related equity investments in private companies.

For indirect investments in pooled funds, WorkSafeBC mitigates indirect credit risk exposure by ensuring the Accident Fund invests in pooled funds with investment policies that provide an adequate minimum credit rating, as determined by bcIMC's internal credit-rating process, and a well-diversified portfolio with limited exposure to any one entity, industry, or country.

Foreign exchange risk management

WorkSafeBC holds investments directly and through investment entities denominated in foreign currencies and, as such, is directly exposed to the currency risks shown in the following table.

	December 31, 2015	December 31, 2014
Currency		
U.S. dollars	1,750,611	1,248,034
Other currencies	586,342	478,595
Total	**2,336,953**	**1,726,629**

Inflation risk management

WorkSafeBC is exposed to fluctuations in the inflation rate because its compensation benefits are indexed annually to the increase in the annual Canadian consumer price index (CPI), as measured in October each year, less one percent, up to a maximum annual rate of four percent and minimum of zero. To mitigate the effect of inflation on WorkSafeBC's future liabilities, the Accident Fund holds inflation-sensitive assets including real estate, infrastructure, and renewable resources.

Liquidity risk management

The Accident Fund is exposed to liquidity risk because it must provide funding for WorkSafeBC operations such as benefit payments and administration expenses. WorkSafeBC always maintains a portion of its investments in fixed-income pooled funds, which are highly liquid. WorkSafeBC has made commitments to participate in future funding for investment purchases (see Note 17). If necessary, units of pooled fund investments will be liquidated to satisfy these funding requirements.

There were no restrictions on the redemptions of WorkSafeBC's portfolio investments for the reporting period, except for those listed in the following table. Due to the absence of active markets, the investments listed in the table that follows cannot be sold or converted easily to cash in a timely and cost-effective manner.

	December 31, 2015	December 31, 2014
Equity investments		
Private placements	959,355	782,030
Inflation-sensitive investments		
Infrastructure	1,008,951	826,423
Renewable resources	233,350	220,347
Domestic real estate fund	2,180,316	2,520,336
Foreign real estate	438,191	212,553
Total	**4,820,163**	**4,561,689**

Note 4 — continued

Market risk

Market risk is the risk of loss in the value of portfolio investments that may arise due to changes in market factors such as public equity prices, interest rates, foreign exchange rates, and valuations of real estate, private placements, infrastructure, and renewable resources. These changes are subject to economic factors and other movements in global capital markets. As previously disclosed, market risk is managed by the Investment Committee through establishing investment policies that bcIMC must follow, as well as risk monitoring and portfolio diversification. WorkSafeBC is exposed to varying levels of market risk depending on the type of investment and conditions within various global markets.

The tables that follow provide estimates of the potential dollar impact on the fair value of investments when there are material changes in key risk variables such as equity market indices, interest rates, currency exchange rates, and valuations of real estate, private placements, infrastructure, and renewable resources. Each table shows the potential impact of the risk under normal market conditions within the 12-month period following the statement of financial position date. It should be noted that each table shows the impact of the specific downside risk, independent of the correlation to other market variables, and that these estimates do not address worst-case scenarios or potential losses arising from even more extreme market conditions and events.

Price risk

The following table presents the estimated effect of a material adverse change in the equity index benchmark for public equity investments through pooled funds. Standard deviations are based on historical values for the past five years of market benchmark indices ending on December 31.

	One standard deviation	
	2015	2014
Percentage decrease in Canadian equity market benchmark	9.6%	10.2%
Estimated loss in fair value — Canadian equity pooled funds	$145,000	$170,000
Percentage decrease in global equity market benchmark	15.5%	13.1%
Estimated loss in fair value — global equity pooled funds (including U.S., global, and international)	$680,000	$510,000
Percentage decrease in emerging markets equity market benchmark	19.7%	17.0%
Estimated loss in fair value — emerging markets equity pooled funds	$140,000	$110,000

The following table presents the estimated effect of a material adverse change in the valuations of WorkSafeBC's indirect investments in domestic real estate and All Weather pooled funds, as well as investments held through investment entities in foreign real estate, private placements, infrastructure, and renewable resources.

Decline in asset value	10%	
	2015	2014
Estimated loss in fair value — domestic real estate fund	$220,000	$250,000
Estimated loss in fair value — foreign real estate	$45,000	$20,000
Estimated loss in fair value — private placements	$95,000	$80,000
Estimated loss in fair value — infrastructure	$100,000	$85,000
Estimated loss in fair value — renewable resources	$25,000	$20,000
Estimated loss in fair value — All Weather Fund	$60,000	$40,000

Note 4 — continued

The following table presents the estimated effect of a material adverse change in the valuations of WorkSafeBC's investments in fixed-income pooled funds and directly held fixed-income securities due to changes in the nominal and real interest rates.

Basis points increase in nominal interest rate	75bp	
	2015	2014
Estimated loss in fair value — money market-pooled funds	$—	$—
Estimated loss in fair value — directly held money market	$—	$—
Estimated loss in fair value — bond-pooled funds	$120,000	$105,000
Estimated loss in fair value — mortgage-pooled fund	$5,000	$5,000
Estimated loss in fair value — directly held government bond	$—	$—
Estimated loss in fair value — real-return bond fund	$—	$35,000

Currency risk

The following table presents the estimated effect of a material adverse change in the Canadian dollar/U.S. dollar and other currency exchange rates on foreign currency-based investments held through investment entities in foreign real estate, private placements, infrastructure, and renewable resources. WorkSafeBC minimizes its currency risk through use of directly held currency hedging contracts. For this analysis, the base exchange rates are those at December 31.

Appreciation in the Canadian dollar (vs. U.S. dollar)	10%	
	2015	2014
Estimated loss in fair value	$85,000	$80,000

Appreciation in the Canadian dollar (vs. other currencies)	10%	
	2015	2014
Estimated loss in fair value	$20,000	$15,000

Interest rate risk management

Fluctuations in interest rates can affect the fair value of the fixed-income securities and shift investor preferences among asset classes. WorkSafeBC's investments are directly exposed to interest rate risk through its fixed-income securities held directly (fixed-income portfolio) and private debt held through investment entities of $253 million. WorkSafeBC is also indirectly exposed to interest rate risk through its investments in fixed-income pooled funds. Interest rate risk on the fixed-income portfolio is minimized by managing its duration. The fixed-income portfolio consists of a directly held government bond which matures on December 1, 2045; two directly held money market securities, both with maturity dates of June 14, 2016; and investments in fixed-income pooled funds holding assets with different maturity terms. In the prior year, the fixed-income portfolio consisted of a directly held real-return bond maturing on December 1, 2026 (sold in 2015), and investments in fixed-income pooled funds holding assets with different maturity terms.

Interest rate risk for private debt held through investment entities is not material. These debt investments are held in conjunction with related equity investments in private companies; any change in market value of these debt investments due to fluctuations in interest rates would result in an offsetting change in value of the related equity investments.

Real estate risk management

Risk in the real estate portfolio is managed by investing across real estate types and locations. Adverse effects in any one segment of the market or geographic location are minimized through diversification, which includes investments in domestic real estate indirectly held through a pooled fund, and foreign real estate directly held through investment entities.

Note 4 — continued

Encumbrances

As at December 31, 2015, the directly held government bond valued at $5,923 (2014: $5,702 in real-return bond) on a fair value basis was pledged as collateral for the issuance of a letter of credit to guarantee U.S. $2,053 of credit facilities for Transelec S.A., the largest electricity transmission company in Chile. It is expected this pledge will be required as long as the credit facilities are required by Transelec S.A. Prior to June 1, 2015, a directly held real-return bond was pledged as collateral. The government bond replaced the real-return bond effective June 1, 2015.

As at December 31, 2015, two directly held corporate money market securities valued at $26,486 on a fair value basis were pledged as collateral for the issuance of a letter of credit to support a U.S. $16,648 commitment to Teays River Investments LLC, an integrated agriculture company operating in the United States. It is expected this pledge will be required as long as the credit facilities are required by Teays River Investments LLC.

Note 5 — Property, equipment, and intangible assets

Accounting policies

Recognition and measurement

Property, equipment, and intangible assets are reported at historical cost less accumulated depreciation/amortization and any amount for impairment.

Operating systems represent the direct costs incurred in developing new internally generated systems. Costs are deferred and amortized on a straight-line basis on the date the asset is ready to use. Project costs incurred in the definition stage for feasibility studies are recognized in administration costs in the consolidated statement of comprehensive income as incurred.

Additions and subsequent expenditures are capitalized only to the extent they enhance future economic benefits expected to be derived from the asset — either a significant extension of the asset's expected useful life or major enhancements to the asset's functions.

Expenditures incurred to replace a component of an asset are separately capitalized and the replaced component is derecognized. All other expenditures, including maintenance, costs of minor enhancements, and costs relating to the minor extension of an asset's useful life, are recognized in administration costs in the consolidated statement of comprehensive income as incurred.

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of a leased item, are capitalized as assets at lease inception, at the present value of the minimum lease payments. Under the terms of the leasing agreements, WorkSafeBC has pledged the assets as collateral for the liability and cannot assign, sell, or transfer these assets.

Measurement of land

WorkSafeBC elected to use fair value at the date of transition to IFRS (January 1, 2010) as the deemed cost for land — a one-time election available under IFRS 1 (*First-time Adoption of IFRS*). The fair value of land at the transition date was $145,873, with the adjustment to the carrying amount of land at $142,113, recognized directly in the unappropriated balance. Fair value was determined by an independent property appraisal company with appropriate recognized professional qualifications and recent experience in the property location/type being appraised. Acquisitions of land subsequent to January 1, 2010 are measured at historical cost.

Depreciation and amortization

Depreciation and amortization is charged to administration costs in the consolidated statement of comprehensive income beginning on the date the asset is ready for use, on a straight-line basis, over the asset's estimated useful life or the life of its major component. Useful lives and any residual values of assets are reviewed annually to take into account any change in circumstances, including technological obsolescence, redundancy due to change in business strategy or economic conditions, and physical deterioration or loss. Land is not depreciated as it is deemed to have an indefinite life.

The range of estimated useful lives of assets is captured in the following table.

Property and equipment:	
Buildings	10–40 years
Equipment	2–7 years
Furniture	10 years
Vehicles	7 years
Intangible assets:	
Operating systems	5–10 years
Computer software	3 years

Note 5 — continued

Impairment

Property, equipment, and intangible assets are assessed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the assets are subject to an impairment review. If an asset is impaired, an impairment loss is recognized in administration costs in the consolidated statement of comprehensive income.

When indicators of impairment exist, IAS 36 (*Impairment of Assets*) requires an entity to test assets for impairment. The impairment review must be conducted for an individual asset, an asset group, or the cash-generating unit level — the smallest identifiable group of assets generating cash inflows (independent of cash inflows from other assets or groups of assets).

Based on an analysis of cash flows, WorkSafeBC has established that the appropriate cash-generating unit for impairment review is the entity. As WorkSafeBC has statutory power to increase premiums and/or impose levies to ensure full funding into the foreseeable future under the *Workers Compensation Act*, impairment at the entity level is remote. On an annual basis, WorkSafeBC conducts a review to ensure no events or changes in circumstance have occurred that would provide evidence of impairment.

As at December 31, 2015, and December 31, 2014, management conducted an impairment indicator review at the entity level; these reviews confirmed no significant impairment indicators — changes in the legislative, economic, or business environments — that would have a material impact on WorkSafeBC's ability to generate future economic benefits from its operating (non-financial) assets.

Property and equipment

	Land	Buildings	Furniture and equipment	Vehicles	Total
Cost	145,873	108,523	38,408	11,523	304,327
Less: Accumulated depreciation	—	68,088	22,415	7,353	97,856
Balance at January 1, 2014	**145,873**	**40,435**	**15,993**	**4,170**	**206,471**
Changes during the year:					
Cost					
Additions	—	1,524	1,641	2,259	5,424
Disposals	—	(13,631)	(7,297)	(1,836)	(22,764)
Less: Accumulated depreciation					
Depreciation	—	5,399	5,860	1,425	12,684
Disposals	—	(13,631)	(7,282)	(1,810)	(22,723)
Balance at December 31, 2014	**145,873**	**36,560**	**11,759**	**4,978**	**199,170**
Representing:					
Cost	145,873	96,416	32,752	11,946	286,987
Less: Accumulated depreciation	—	59,856	20,993	6,968	87,817
Balance at December 31, 2014	**145,873**	**36,560**	**11,759**	**4,978**	**199,170**
Changes during the year:					
Cost					
Additions	—	2,174	2,975	1,839	6,988
Disposals	—	(1,223)	(3,563)	(236)	(5,022)
Less: Accumulated depreciation					
Depreciation	—	3,695	5,434	1,310	10,439
Disposals	—	(1,029)	(3,393)	(226)	(4,648)
Balance at December 31, 2015	**145,873**	**34,845**	**9,130**	**5,497**	**195,345**
Representing:					
Cost	145,873	97,367	32,164	13,549	288,953
Less: Accumulated depreciation	—	62,522	23,034	8,052	93,608
Balance at December 31, 2015	**145,873**	**34,845**	**9,130**	**5,497**	**195,345**

Note 5 — continued

Intangible assets

	Computer software	Operating systems	Total
Cost	19,583	215,642	235,225
Less: Accumulated amortization	14,131	140,501	154,632
Balance at January 1, 2014	**5,452**	**75,141**	**80,593**
Changes during the year:			
Cost			
Additions	2,215	8,552	10,767
Disposals	(640)	(4,390)	(5,030)
Less: Accumulated amortization			
Amortization	979	13,672	14,651
Disposals	(640)	(4,359)	(4,999)
Balance at December 31, 2014	**6,688**	**69,990**	**76,678**
Representing:			
Cost	21,158	219,804	240,962
Less: Accumulated amortization	14,470	149,814	164,284
Balance at December 31, 2014	**6,688**	**69,990**	**76,678**
Changes during the year:			
Cost			
Additions	597	3,813	4,410
Disposals	(91)	(1,081)	(1,172)
Less: Accumulated amortization			
Amortization	2,020	13,935	15,955
Disposals	(91)	(1,081)	(1,172)
Balance at December 31, 2015	**5,265**	**59,868**	**65,133**
Representing:			
Cost	21,664	222,536	244,200
Less: Accumulated amortization	16,399	162,668	179,067
Balance at December 31, 2015	**5,265**	**59,868**	**65,133**

Included in the operating systems and computer software are deferred costs of $5,990 and $670 respectively (2014: operating systems — $2,120, computer software — $1,605). Amortization of these assets will begin when they are ready to use.

Note 6 — Cash and outstanding payments

Cash and outstanding payments represent the net balance of cash on hand and items in transit, including cheques written but not cashed. In the event these cheques are cashed and there are insufficient funds held at that time in its bank accounts, WorkSafeBC can use available credit facilities. As at December 31, 2015, the unused credit facility was $1,537 (2014: $1,946). WorkSafeBC is also a partner in an offset program with the Government of British Columbia.; this program provides WorkSafeBC access to additional credit facilities for varying amounts in connection with the daily cash balance of the partners.

Cash and outstanding payments

	December 31, 2015	December 31, 2014
Cash	122,959	—
Less: Outstanding payments	26,078	23,170
Net cash	**96,881**	**(23,170)**

All outstanding payments are expected to be settled within 12 months.

Note 7 — Payables and accruals

Accounting policy

Payables and accruals are financial liabilities representing obligations to pay for goods or services received by WorkSafeBC in the ordinary course of operations. WorkSafeBC recognizes a liability and an expense for goods upon receipt or transfer of control, and for services when they have been performed. Other payables include credit balances on employer accounts. The timing and amount of payables and accruals are readily determinable. These amounts are normally settled before the end of the next reporting period, except for the two- to three-year finance lease obligations shown in the table that follows.

Finance lease obligations within the scope of IAS 17 (*Leases*) are not subject to measurement and disclosure requirements under IFRS 13 (*Fair Value Measurement*). All other payables and accruals in the table are classified as amortized cost under IFRS 9, recorded at fair value on initial recognition, and subsequently measured at amortized cost. The carrying value of these items approximates fair value.

Payables and accruals

	December 31, 2015	December 31, 2014
Accrued staff salaries	26,720	28,672
Vendor payables	18,741	16,808
Finance lease obligations	2,119	2,627
Other payables and accruals	13,302	11,118
Total	**60,882**	**59,225**

Payables and accruals expected to be settled within 12 months total $59,427 (2014: $53,689).

Note 8 — Injured workers' retirement benefit liability

Accounting policy

The injured workers' retirement benefit obligation is a financial liability which represents obligations under Section 23.2 of the *Workers Compensation Act*, effective for all injuries occurring on or after June 30, 2002. This section requires that WorkSafeBC contribute a monthly amount for permanently disabled workers equal to 5 percent of a worker's permanent disability monthly benefit payment. This amount is over and above the benefit payment issued monthly and separate from the long-term disability benefit liability (see Note 10). In addition, a worker may voluntarily choose to contribute between 1 and 5 percent of his or her monthly benefit.

WorkSafeBC recognizes a liability for these amounts when the worker's permanent disability monthly benefit is paid. The injured workers' retirement benefit liability provides for interest at the greater of WorkSafeBC's annual smoothed accounting rate of return or the Government of Canada 90-day treasury bill rate. Future cash flows to be paid to a worker are discounted at a rate equal to the rate of interest. Upon the earlier of death or reaching age 65, workers (or the beneficiary in the case of death) receive a lump-sum payout of these amounts and the liability is derecognized.

The injured workers' retirement benefit liability is classified as amortized cost under IFRS 9, recorded at fair value on initial recognition and subsequently measured at amortized cost. The carrying value of this item approximates fair value.

Injured workers' retirement benefit liability

Changes in the injured workers' retirement benefit liability are as follows:

	2015	2014
Balance at January 1	42,985	29,727
Interest income	3,540	5,497
Contributions by WorkSafeBC	9,126	8,239
Contributions by injured workers	1,533	1,295
Benefits paid	(2,662)	(1,773)
Balance at December 31	**54,522**	**42,985**

The duration of the liability is estimated based on injured workers reaching age 65, as follows:

	December 31, 2015	December 31, 2014
Under 1 year	2,524	2,032
1–5 years	14,070	10,482
5–10 years	13,093	10,102
Over 10 years	24,835	20,369
Total	**54,522**	**42,985**

Note 9 — Employee benefit assets, liabilities, and costs

Accounting policies

Post-employment benefits

WorkSafeBC has employee benefit plans that provide pension benefits and post-employment health care benefits for its employees. The cost of the plans and present value of obligations are determined using actuarial valuations; these valuations involve making assumptions about discount rates, rates of returns on net assets, future salary increases, mortality rates, and future pension changes. Due to the complexity of the valuations, underlying assumptions, and the long-term nature, obligations are sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of key assumptions used in the estimates are disclosed below.

Employee pension plans

WorkSafeBC and its employees contribute to the Workers' Compensation Board (WCB) Superannuation Plan, a defined benefit plan. Appointed by WorkSafeBC's Board of Directors, three trustees are responsible for overseeing prudent investment of plan assets and ensuring administration services are provided to plan members. Of these three appointments, one trustee represents WorkSafeBC, another represents WorkSafeBC employees, while the third is an independent trustee nominated jointly by the other two trustees.

The plan provides pensions based on length of service and an employee's best five-year average earnings. Effective September 30, 2015, immediate vesting came into effect for all active plan members (permanent employees and eligible temporary employees). In accordance with WCB Superannuation Plan rules, WorkSafeBC may apply surplus funds to reduce or eliminate contributions that might otherwise be required.

For funding purposes, and to determine employee/employer contribution rates, the plan requires an actuarial valuation of plan liabilities at intervals of not more than three years. The last valuation was carried out as at March 31, 2014; its results were used to derive projected liabilities at year-end.

The WCB Superannuation Plan is subject to the *Pension Benefits Standards Act* of British Columbia and, as such, requires certain certifications relating to the plan's solvency. In accordance with the *Pension Benefits Standards Act*, WorkSafeBC must adequately fund all benefits earned by plan members and is required to make scheduled special payments to make up any funding or solvency deficit. The most recent actuarial valuation, as at March 31, 2014 (report issued on December 19, 2014), reported a solvency ratio greater than 100 percent.

WorkSafeBC also has a supplementary executive retirement plan (SERP). Established effective January 1, 2009, it provides additional pension benefits to designated executives. Pension benefits in this plan, which is not funded, are based on the same earnings as the WCB Superannuation Plan. For financial reporting purposes, an actuarial valuation for the SERP was carried out as of December 31, 2015. The SERP amounts are included in the detailed disclosures for the employee pension plan in tables within this note. The present value of the defined benefit obligation for the SERP at December 31, 2015, was $2,899 (December 31, 2014: $2,699).

Post-employment health care plan

WorkSafeBC also has a financial obligation relating to the basic medical and extended health care benefits it provides eligible WorkSafeBC retirees. WorkSafeBC employees are not required to contribute toward these health care benefits.

Actuarial assumptions and method

The cost of the pension and post-employment health care benefits earned by employees is actuarially determined using the projected benefit method which is prorated on service and actuarial assumptions about discount rates, returns on net assets, future salary increases, employee retirement ages, mortality rates, and expected health care costs. Due to the long-term nature of the plans, such estimates are subject to significant uncertainty. All actuarial gains and losses are recognized as they occur through other comprehensive income in the statement of comprehensive income.

Note 9 — continued

The significant actuarial assumptions adopted in valuing WorkSafeBC's benefit plan expenses are shown in the table that follows.

	Employee pension plans		Post-employment health care plan	
	2015	2014	2015	2014
Discount rate	3.95%	3.95%	3.95%	3.95%
Future salary increases/health care cost increases	2.50%	2.50%	4.50%	4.50%

The rates shown in the 2015 column were effective as of December 31, 2015, and applied in determining benefit plan balances at December 31, 2015. Rates shown in the 2014 column were effective from December 31, 2014, to December 30, 2015. The 2014 rates were applied in determining 2015 benefit plans expenses.

Long-term disability benefits

Long-term disability benefits are provisions representing the present obligation for the amount of income to be provided to employees unable to work for a long time due to non-work-related illness or injury. WorkSafeBC recognizes this provision when the disability occurs. As at December 31, 2015, the present value of the obligation was calculated using a net discount rate (relative to CPI inflation) of 3.0 percent (December 31, 2014: 3.0 percent).

Long-service benefits

Long-service benefits are liabilities representing the amount payable to employees who have completed at least 10 years of service with WorkSafeBC. WorkSafeBC recognizes the liability as these employees render their service, which accumulates toward entitlement of the long-service benefit. The benefit vests after 10 years of service, with payment made upon termination, death, or retirement. WorkSafeBC has recognized the expected benefit liability by applying a 3.45 percent discount rate as at December 31, 2015 (December 31, 2014: 3.45 percent), equal to the yield on high-quality corporate bonds with the same estimated term as the liability.

Other benefits

Other benefits include liabilities for WorkSafeBC claims from WorkSafeBC employees and accumulated sick leave.

Workers' compensation claims are liabilities representing the present obligation for expected employee claim costs. WorkSafeBC recognizes the provision when the claim is accepted. As at December 31, 2015, the present value of the obligation was calculated using a net discount rate (relative to CPI inflation) of 3.0 percent (December 31, 2014: 3.0 percent).

Accumulated sick leave entitlements are recognized as employees render their service, to the extent of expected future use. Accumulated sick leave does not vest.

Employee benefit liabilities

WorkSafeBC has several employee benefit plans, including pension benefits, post-employment health care benefits, long-term disability benefits, long-service benefits, and other benefits liabilities. Liabilities consist of the following:

	December 31, 2015	December 31, 2014
Post-employment health care benefit plan	236,152	228,916
Accrued long-term disability	84,200	78,200
Accrued long-service benefits	38,763	37,216
Accrued other benefits	7,673	7,582
Total	**366,788**	**351,914**

The current portion of the employee benefit liabilities is estimated to be $21,230 (2014: $20,421).

The benefit asset of the employee pension plan is shown in the table that follows.

Employee pension and post-employment health plans

The amounts recognized in the consolidated statement of financial position are determined as follows:

	Employee pension plans	
	December 31, 2015	December 31, 2014
Present value of defined benefit obligations	(1,734,597)	(1,630,110)
Fair value of plan assets	1,841,615	1,693,370
Funded status — plan surplus	**107,018**	**63,260**
Benefit asset	**107,018**	**63,260**

	Post-employment health care plan	
	December 31, 2015	December 31, 2014
Present value of defined benefit obligation	(236,152)	(228,916)
Fair value of plan assets	—	—
Funded status — plan deficit	**(236,152)**	**(228,916)**
Benefit liability	**(236,152)**	**(228,916)**

Note 9 — continued

Changes in the defined benefit obligation are as follows:

	Employee pension plans		Post-employment health care plan	
	2015	2014	2015	2014
Balance January 1	1,630,110	1,353,784	228,916	182,003
Current service cost	42,043	33,864	9,134	7,241
Employer contribution receivable	(5)	(5)	—	—
Interest cost	63,871	64,359	8,973	8,659
Contributions by plan participants	16,256	16,096	—	—
Net transfers from other plans	2,265	682	—	—
Actuarial losses (gains) arising from:				
Changes in demographic assumptions	—	35,271	—	9,702
Changes in financial assumptions	—	156,241	—	33,903
Experience adjustments	27,132	14,849	(7,402)	(9,377)
Benefits paid	(47,075)	(45,031)	(3,469)	(3,215)
Balance December 31	**1,734,597**	**1,630,110**	**236,152**	**228,916**

The current portion of the employee pension plan liability is estimated to be $43,669 (2014: $43,405).

Changes in the fair value of plan assets are as follows:

	Employee pension plans		Post-employment health care plan	
	2015	2014	2015	2014
Balance January 1	1,693,370	1,526,786	—	—
Return on plan assets (excluding amounts included in net interest expense)	86,566	96,680	—	—
Interest income	66,788	73,208	—	—
Employer contributions	23,520	24,987	3,469	3,215
Employer contribution receivable	(75)	(38)	—	—
Employee contributions	16,256	16,096	—	—
Benefits paid	(47,075)	(45,031)	(3,469)	(3,215)
Net transfers from other plans	2,265	682	—	—
Balance December 31	**1,841,615**	**1,693,370**	**—**	**—**

Note 9 — continued

The amounts recognized in the consolidated statement of comprehensive income are as follows:

	Employee pension plans		Post-employment health care plan		Total	
	2015	2014	2015	2014	2015	2014
Recognized in administration expenses:						
Employer current service cost	42,043	33,864	9,134	7,241	51,177	41,105
Net interest (income) cost	(2,917)	(8,849)	8,973	8,659	6,056	(190)
	39,126	**25,015**	**18,107**	**15,900**	**57,233**	**40,915**
Recognized in other comprehensive income:						
Actuarial losses (gains) on plan liabilities arising from:						
Changes in demographic assumptions	—	35,271	—	9,702	—	44,973
Changes in financial assumptions	—	156,241	—	33,903	—	190,144
Experience adjustments	27,132	14,849	(7,402)	(9,377)	19,730	5,472
Return on plan assets (excluding amounts included in net interest expense)	(86,566)	(96,680)	—	—	(86,566)	(96,680)
	(59,434)	**109,681**	**(7,402)**	**34,228**	**(66,836)**	**143,909**
Total benefit plan expenses	**(20,308)**	**134,696**	**10,705**	**50,128**	**(9,603)**	**184,824**

Cumulative actuarial (losses) gains recognized in other comprehensive income:

	Employee pension plans		Post-employment health care plan		Total	
	2015	2014	2015	2014	2015	2014
As at January 1	(160,530)	(50,849)	(66,066)	(31,838)	(226,596)	(82,687)
Actuarial (losses) gains on plan liabilities for the year	(27,132)	(206,361)	7,402	(34,228)	(19,730)	(240,589)
Actuarial gains on plan assets for the year	86,566	96,680	—	—	86,566	96,680
As at December 31	**(101,096)**	**(160,530)**	**(58,664)**	**(66,066)**	**(159,760)**	**(226,596)**

Employee pension plans and post-employment health care benefit plan risks

WorkSafeBC is subject to the risks attached to assumptions employed in determining net plan obligations. Changes in assumptions may negatively impact the net funded position of the plans. The most significant assumption risks are discussed below.

Investment risk

The present value of the defined benefit plans' liabilities is calculated using a discount rate determined by reference to high-quality corporate bond yields. If actual returns on pension plan assets are below this rate, the plan's funded status will decrease. See below for WorkSafeBC's asset-liability matching strategy.

Interest risk

A decrease in the bond interest rate will increase the plans' liabilities, however any related effect may be partially offset by an increase in the return on the pension plan's debt investments.

Mortality risk

The present value of the defined benefit plans' liabilities is calculated by referencing the best estimate of the mortality of plan members. An increase in their life expectancy will subsequently increase the plans' liabilities.

Salary risk

The present value of the defined benefit pension plan liability is calculated by referencing the estimated increase in future salaries of plan members. As such, an increase in their salaries in excess of the estimate will subsequently raise the pension plans' liability.

Health care cost risk

The present value of the post-employment health care benefit plan liability is calculated by referencing estimated future health care costs. As such, an increase in health care costs in excess of the estimate of plan members will increase the post-employment health care benefit plan's liability.

Asset-liability matching strategy

Periodic asset/liability studies are conducted to review the WCB Superannuation Plan investment policy. The policy's primary objective is to manage risks related to the asset mix, considering both returns and risks of investment classes, in conjunction with the anticipated amounts and timing of liability payments. The policy identifies a targeted asset mix and range of acceptable level of investments for each investment type and sub-class. Pension plan assets are managed by bcIMC, investing in fixed-income, equity, inflation-sensitive, and other investments, directly held or through pooled funds. The assets and related performance of plan assets are monitored on a quarterly basis by plan trustees.

Sensitivity of employee pension plan and post-employment health care benefit plan liability

Significant actuarial assumptions for determining the employee defined benefit plan liabilities are discount rate, life expectancy, expected salary increases, and health care costs. The effect on the employee defined benefit obligations of a change in assumptions applied is as follows:

2015

Effect on defined benefit obligations of an increase/ decrease in the following assumptions:	Change in assumption	Pension plans		Post-employment health care plan	
		Increase	Decrease	Increase	Decrease
Discount rate	0.5%	(5.7)%	6.4%	(9.0)%	10.3%
Mortality rates	10%	(1.2)%	1.3%	(3.0)%	3.4%
Salary rate	0.5%	1.1%	(1.3)%	N/A	N/A
Health care costs	0.5%	N/A	N/A	10.3%	(9.0)%

2014

Effect on defined benefit obligations of an increase/ decrease in the following assumptions:	Change in assumption	Pension plans		Post-employment health care plan	
		Increase	Decrease	Increase	Decrease
Discount rate	0.5%	(5.9)%	6.6%	(9.1)%	10.5%
Mortality rates	10%	(1.2)%	1.3%	(3.0)%	3.3%
Salary rate	0.5%	1.0%	(1.2)%	N/A	N/A
Health care costs	0.5%	N/A	N/A	10.5%	(9.2)%

Based on actuarial advice, assumptions regarding the life expectancy of plan members are set using the best estimate of their mortality. These assumptions translate into an average life expectancy (in years) for a pensioner retiring at age 65.

The sensitivity analysis presented in the table above may not be representative of the actual change in the defined benefit obligation; it is unlikely a change in assumptions would occur in isolation as some assumptions may correlate.

Employee pension plan assets

The WCB Superannuation Plan assets, at fair value, are listed in the following table. Pooled funds are valued based on WorkSafeBC's share of the net asset value of the pooled fund. The fair values of foreign real estate, private placement, renewable resources, and infrastructure investments are based on the fair values of the net assets and supported by independent appraisals using the most appropriate valuation techniques for each investment type. The fair value of foreign currency exchange contracts is based on quoted prices.

	December 31, 2015	December 31, 2014
Fixed-income investments		
Money market funds	123,164	118,812
Bonds	3,663	—
Bond funds	307,235	276,209
Mortgage funds	36,994	35,931
	471,056	430,952
Equity investments		
Canadian equity funds	172,888	175,734
U.S. equity funds	225,016	218,637
International equity funds	212,807	160,851
Global equity funds	141,945	116,817
Emerging markets equity funds	94,154	115,471
Currency hedging funds	—	2,340
Currency hedging contracts	(1,678)	347
Private placements funds	106,503	81,685
	951,635	871,882
Inflation-sensitive investments		
Real-return bond	429	429
Real-return bond fund	59,273	57,629
Infrastructure funds	82,948	66,641
Domestic real estate fund	202,333	221,348
Foreign real estate funds	24,947	13,524
Renewable resources funds	18,667	17,055
Currency hedging contracts	(3,281)	(549)
	385,316	376,077
Other investments		
All Weather Fund	23,534	16,756
Other assets/liabilities		
Cash/receivables and payables	10,074	(2,297)
Total	**1,841,615**	**1,693,370**

Future cash flows

Employer contributions to the pension plans are expected to reduce to 6.5 percent of salaries (from 9.63 percent) up to the year's maximum pensionable earnings (YMPE) and 8.0 percent of salaries (from 11.13 percent) in excess of the YMPE effective January 1, 2016. Employer contributions will be made at these rates until completion of the next actuarial valuation, as at March 31, 2017.

Based on the actuarial valuation performed as at March 31, 2014, the average duration of the benefit obligation at December 31, 2015, and December 31, 2014, was 15 years. The estimated maturity of the obligation, also based on the latest actuarial valuation, is as follows:

	December 31, 2015	December 31, 2014
Active members	18 years	18 years
Terminated members	16 years	16 years
Retired members	10 years	10 years

WorkSafeBC anticipates $33,859 will be contributed to the employee defined benefit pension plan in 2016, consisting of $16,831 from employee contributions and $17,028 from employer contributions.

Risk management

The pension plan investments disclosure shows investments in pooled funds by type of fund (i.e., the primary investment focus) while investments held directly are shown by investment type. Many of the pooled funds hold cash, net investment receivables and payables, and/or small amounts of other investments outside their primary investment focus.

Market risk

Plan assets are invested in fixed-income, equity, inflation-sensitive, and other assets; they are subject to market risk. Market risk is the risk of loss in the value of pension plan investments that may arise due to changes in market factors such as public equity prices; interest rates; foreign exchange rates; and valuations of real estate, private placements, infrastructure, and renewable resources. These changes are subject to economic factors and other movements in global capital markets.

Credit risk management

Credit risk on financial instruments arises from the possibility of a counter-party to an instrument failing to meet its obligations. Thus, all issuers of debt instruments — including government, non-government, and other counter-parties — must have a minimum credit rating of BBB+ to be eligible for consideration as an investment by the WCB Superannuation Plan. WorkSafeBC does not have material direct credit risk exposure.

Foreign exchange risk management

The WCB Superannuation Plan holds investments denominated in foreign currencies, indirectly through the investments in pooled funds, which are exposed to currency risk.

Real estate risk management

Indirect risk in the real estate portfolio of WCB Superannuation Plan assets is managed by investing across real estate types and locations. Adverse effects in any one segment of the market or geographic location are minimized through diversification, including investments in domestic and foreign real estate.

Industry and geographic risk management

Global public equity investments in pooled funds are monitored and reviewed on a quarterly basis to help ensure appropriate diversification is achieved.

Related party transactions — employee pension plan

WorkSafeBC provides pension plan benefits for its employees. Transactions with the WCB Superannuation Plan are between related parties as detailed in the table that follows:

Transactions	2015	2014
Contributions from employees	16,266	16,131
Contributions from employer	23,520	24,987

All terms and conditions of the post-employment benefit plans remained unchanged throughout 2014 and 2015. The plans do not provide guarantees to any parties.

Note 10 — Claim benefit liabilities and costs

Accounting policy

Benefit liabilities fall into three categories:

- Unfinalled claim liabilities consisting of:
  - A provision for future payments on claims not finalized to date
  - The capitalized value of the estimated future cost of administering existing claims
- Capitalized value of future monthly payments for pension awards already made (pension fund liabilities) under the long-term disability and survivor benefits
- Long-latency occupational disease liability (LODL) for claims to be diagnosed in the future but for which some exposure to disease-causing agents has already occurred

For the first two categories, at year-end WorkSafeBC determines its claim benefit liabilities for all injuries that have occurred to that time. WorkSafeBC recognizes these claim benefit liabilities in the year a reported compensable workplace injury occurs or disease is diagnosed, as defined by the *Workers Compensation Act* of British Columbia and/or by WorkSafeBC policy. For the third category, long-latency occupational disease claims, the liability is determined as the estimated future benefit payments anticipated on expected disease claims to be diagnosed in the future, for which some exposure to a disease-causing agent has already occurred. These estimated future benefit payments are discounted and adjusted to reflect the estimated portion for the total latency period exposure which has transpired to the valuation date.

Applying actuarial methods, benefit liabilities are measured as the present value of all future benefit payments expected to be made for claims occurring in the current fiscal year or in any prior year. Benefit liabilities include provision for all benefits covered by applicable legislation, policies, and/or administrative practices in respect of existing claims.

WorkSafeBC's internal actuary sets the actuarial assumptions and methods and computes the benefit liabilities. An independent actuary is appointed to validate and express an opinion on these elements; the opinion is appended to these consolidated financial statements.

Liability for long-latency occupational disease claims

The Canadian Actuarial Standards Board's actuarial standards of practice for workers' compensation organizations requires the recognition of a liability for long-latency occupational diseases. These are occupationally caused diseases, currently recognized as compensable, that will manifest as claims in future years for which there has already been partial exposure to the disease-causing agent but no current disease diagnosis.

Actuarial assumptions and methods

The table that follows summarizes the main underlying actuarial assumptions used to estimate the three categories of benefit liabilities noted on page 111.

	Actuarial assumptions								
					Economic assumptions				
	Runoff pattern	Future mortality	Expense rate	Latency period	Investment return	CPI increase	Wage growth	Health care inflation	Claim administration inflation
Unfinalled claim liabilities									
Short-term disability	✓				✓	✓	✓		
Long-term disability	✓	✓			✓	✓	✓		
Survivor benefits	✓	✓			✓	✓	✓		
Health care	✓				✓			✓	
Vocational rehabilitation	✓				✓	✓	✓		
Claim administration			✓		✓	✓	✓		✓
Pension fund liabilities									
Long-term disability		✓			✓	✓			
Survivor benefits		✓			✓	✓			
Long-latency occupational disease liability		✓		✓	✓	✓	✓	✓	✓

Runoff pattern

The runoff pattern for unfinalled claims is intended to be an unbiased estimate of the future cost runoff on existing claims. It is normally calculated using the average runoff pattern of the five most recent calendar years. This averaging period may be modified where there is reason to believe the observed experience in the most recent five years is not representative of future expected payments.

Future mortality

Future mortality rates must be estimated to determine the liability for monthly pensions established for long-term disability claimants and dependants receiving survivor benefits. This mortality basis is reviewed and revised, if necessary, every five years, with the last review conducted in 2012. This mortality basis is used for both the unfinalled claims liability and pension fund liability. The liability is calculated recognizing that mortality improvement is expected to occur each year.

Mortality assumptions are intended to be unbiased estimates of future mortality experiences among WorkSafeBC pension recipients (claimants and survivors).

Mortality assumptions are determined through a two-stage process:

- First, the mortality levels currently experienced by pensioners (long-term disability and survivor benefits) are measured via a study of recent actual experience of these claimants and survivors. The Canada *Life Tables*, published by Statistics Canada, are also used in assessing current mortality levels.
- The mortality rates are then projected forward. This involves reducing them to allow for anticipated greater longevity in the future. The improvement rates used are based on studies and projections by the Social Security Administration (SSA) agency in the United States. These improvement rates have historically paralleled the improvements observed for WorkSafeBC claimants.

Note 10 — continued

Expense rate

The expense rate is the ratio of claim administration costs divided by benefit dollars paid (or capitalized, in the case of pension awards), or how much it costs to pay one dollar of claim benefits.

Expense rates are determined by periodically examining actual claim administration expenses incurred in a given year (across all cost centres in WorkSafeBC) as a proportion of the claim payments/awards in that year. These expense rates vary by benefit type and are intended to represent the ongoing cost of administering existing claims. These expense rates are the prime drivers for calculating claim administration liability.

Latency period

Latency period represents the number of years between initial exposure to the disease-causing agent and the time of diagnosis for each disease type. The latency period is estimated based on available information from medical literature.

Economic assumptions

These benefits are calculated using a discount rate of 3.0 percent; the assumption is that investment income will be earned at an annual rate that is 3.0 percent higher than the annual rate of general inflation in the long term. This real discount rate gives rise to the net discount rates used to calculate various components of the benefit liabilities. These net discount rates are the differences between the assumed investment rate (long-term assumption of 5.5 percent return) and the assumed growth rates of the specific factors driving benefit increases. These net discount rates are as follows:

Factor	Net discount rate	
	2015	2014
Health care inflation	0.0%	0.0%
Wage growth	2.0%	2.0%
Claim administration inflation	2.5%	2.5%
Benefits indexed to inflation minus 1%	4.0%	4.0%

Note 10 — continued

Benefit liabilities

	2015							
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Latent occupational diseases	Total
Balance — January 1	321,432	6,214,581	944,796	2,537,212	305,596	712,462	349,842	11,385,921
Add: Claim costs:								
Current-year's injuries	281,147	319,947	31,927	343,064	101,726	239,932	—	1,317,743
Prior-years' injuries	(14,493)	220,112	38,192	(8,330)	8,762	(13,031)	—	231,212
	266,654	540,059	70,119	334,734	110,488	226,901	—	1,548,955
Less: Claim payments made:								
Current-year's injuries	150,054	3,120	793	110,067	2,257	113,818	—	380,109
Prior-years' injuries	128,791	494,364	65,920	221,166	105,250	138,027	—	1,153,518
	278,845	497,484	66,713	331,233	107,507	251,845	—	1,533,627
Add:								
Latent occupational diseases	—	—	—	—	—	—	488	488
Balance — December 31	**309,241**	**6,257,156**	**948,202**	**2,540,713**	**308,577**	**687,518**	**350,330**	**11,401,737**
Represented by:								
Provision for unfinalled claims	309,241	1,809,342	106,887	2,540,713	308,577	687,518	—	5,762,278
Pension awards, capitalized values	—	4,447,814	841,315	—	—	—	—	5,289,129
Latent occupational diseases	—	—	—	—	—	—	350,330	350,330
Total	**309,241**	**6,257,156**	**948,202**	**2,540,713**	**308,577**	**687,518**	**350,330**	**11,401,737**

Note 10 — continued

Benefit liabilities

2014

	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Latent occupational diseases	Total
Balance — January 1	328,190	6,068,203	914,537	2,489,779	288,571	708,319	342,282	11,139,881
Add: Claim costs:								
Current-year's injuries	281,136	302,396	32,776	340,370	96,829	233,177	—	1,286,684
Prior-years' injuries	(5,808)	335,780	64,749	35,199	36,324	17,059	—	483,303
	275,328	638,176	97,525	375,569	133,153	250,236	—	1,769,987
Less: Claim payments made:								
Current-year's injuries	149,004	4,338	901	105,451	2,405	104,605	—	366,704
Prior-years' injuries	133,082	487,460	66,365	222,685	113,723	141,488	—	1,164,803
	282,086	491,798	67,266	328,136	116,128	246,093	—	1,531,507
Add: Latent occupational diseases	—	—	—	—	—	—	7,560	7,560
Balance — December 31	**321,432**	**6,214,581**	**944,796**	**2,537,212**	**305,596**	**712,462**	**349,842**	**11,385,921**
Represented by:								
Provision for unfinalled claims	321,432	1,811,410	105,258	2,537,212	305,596	712,462	—	5,793,370
Pension awards, capitalized values	—	4,403,171	839,538	—	—	—	—	5,242,709
Latent occupational diseases	—	—	—	—	—	—	349,842	349,842
Total	**321,432**	**6,214,581**	**944,796**	**2,537,212**	**305,596**	**712,462**	**349,842**	**11,385,921**

WorkSafeBC anticipates that $1,168,608 (2014: $1,155,503) of the claim liability will be settled within 12 months, and is therefore considered the current portion.

Note 10 — continued

The following is a reconciliation of claim benefit liabilities:

	2015							
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Latent occupational diseases	Total
Balance — January 1	321,432	6,214,581	944,796	2,537,212	305,596	712,462	349,842	11,385,921
Add:								
Provision for current-year's injuries	131,093	316,827	31,134	232,997	99,469	126,114	—	937,634
Accretion expense for prior-years' liabilities	10,215	243,001	36,980	98,285	10,299	25,966	14,216	438,962
Prior-years' claim costs experience (lower) higher than expected	(24,708)	(22,889)	1,212	(106,615)	(1,537)	(38,997)	—	(193,534)
Latent occupational diseases	—	—	—	—	—	—	(13,728)	(13,728)
	116,600	536,939	69,326	224,667	108,231	113,083	488	1,169,334
Less:								
Payments for prior-years' injuries	128,791	494,364	65,920	221,166	105,250	138,027	—	1,153,518
Balance — December 31	**309,241**	**6,257,156**	**948,202**	**2,540,713**	**308,577**	**687,518**	**350,330**	**11,401,737**

	2014							
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Latent occupational diseases	Total
Balance — January 1	328,190	6,068,203	914,537	2,489,779	288,571	708,319	342,282	11,139,881
Add:								
Provision for current-year's injuries	132,132	298,058	31,875	234,919	94,424	128,572	—	919,980
Accretion expense for prior-years' liabilities	13,927	317,419	47,810	128,589	13,078	34,554	18,581	573,958
Prior-years' claim costs experience (lower) higher than expected	(19,735)	18,361	16,939	(93,390)	23,246	(17,495)	—	(72,074)
Latent occupational diseases	—	—	—	—	—	—	(11,021)	(11,021)
	126,324	633,838	96,624	270,118	130,748	145,631	7,560	1,410,843
Less:								
Payments for prior-years' injuries	133,082	487,460	66,365	222,685	113,723	141,488	—	1,164,803
Balance — December 31	**321,432**	**6,214,581**	**944,796**	**2,537,212**	**305,596**	**712,462**	**349,842**	**11,385,921**

Accretion expense for prior-years' liabilities represents the expected interest accrued for opening benefit liabilities.

Changes in actuarial valuation of benefit liabilities

	2015			2014		
	Claim costs	Less: Benefit payments	Changes in actuarial valuation of benefit liabilities	Claim costs	Less: Benefit payments	Changes in actuarial valuation of benefit liabilities
Short-term disability	266,654	278,845	(12,191)	275,328	282,086	(6,758)
Long-term disability	540,059	497,484	42,575	638,176	491,798	146,378
Survivor benefits	70,119	66,713	3,406	97,525	67,266	30,259
Health care	334,734	331,233	3,501	375,569	328,136	47,433
Vocational rehabilitation	110,488	107,507	2,981	133,153	116,128	17,025
	1,322,054	1,281,782	40,272	1,519,751	1,285,414	234,337
Claim administration	226,901	251,845	(24,944)	250,236	246,093	4,143
	1,548,955	1,533,627	15,328	1,769,987	1,531,507	238,480
Latent occupational disease	488	—	488	7,560	—	7,560
Total	**1,549,443**	**1,533,627**	**15,816**	**1,777,547**	**1,531,507**	**246,040**

Sensitivity of actuarial assumptions

The most significant assumption in determining claim benefit liabilities is the net discount rates. These are differences between the assumed investment rate (long-term assumption of 5.5 percent return) and the assumed growth rates of the specific factors driving benefit increases. A reduction in the assumed net discount rates would increase claim benefit liabilities and reduce the operating surplus, and vice versa.

The following table shows the sensitivity of claim benefit liabilities to an immediate 1 percent increase or decrease in these key net discount rate assumptions used to determine the liabilities.

	Net discount rate		Increase (decrease) in liabilities ($ millions)			
	2015	2014	2015		2014	
+/- % change in net discount rates			+1%	-1%	+1%	-1%
Health care inflation	0.0%	0.0%	(334)	430	$(332)	$428
Wage growth	2.0%	2.0%	(118)	139	$(122)	$144
Claim administration inflation	2.5%	2.5%	(56)	70	$(58)	$71
General inflation rate	3.0%	3.0%	(614)	721	$(620)	$730

Management of insurance risks and rate-setting

In accordance with the *Workers Compensation Act*, the Accident Fund is financed by charging annual assessment rates to employers. These are applied as a percentage of assessable payroll to determine the premium each employer must pay.

The annual rate applicable to a given employer is determined as the sum of four main components:

- The cost of new injuries — calculated based on the industry in which the employer operates and historical actuarial cost experience of that industry
- Amortization of the industry surplus or deficit — each industry group maintains its own insurance pool and is responsible for funding any deficits and receiving the benefit (rate reduction) of any surpluses
- Capping of rate increases and decreases — the change in rate for any classification unit within an industry group is usually limited to a 20 percent increase or decrease according to WorkSafeBC's normal rate-setting practices
- Experience rating — the actual rate paid by a given employer within an industry group is further increased or decreased depending on the employer's historical cost performance relative to other employers in that industry group

Under the *Workers Compensation Act*, WorkSafeBC has the power to set assessment rates to recover any shortfalls in assessment collection, or fund any required reserves.

Concentration of risks

WorkSafeBC underwrites workplace injury insurance for all employers across the entire province of British Columbia. Premium rates charged to employers differ by industry, reflecting the variety of loss frequencies experienced in different industries. In addition, rates charged for employers in the same industry are further adjusted based on the historical claims experience of each employer relative to the industry as a whole. WorkSafeBC is also potentially subject to risks resulting from litigation or legislative changes. Such changes can produce an immediate pervasive increase in the cost of the entire portfolio of insurance contracts.

Liquidity of benefit liability risks

The following table estimates the expected amounts and timing of future benefit and associated claim administration payments for the provision of outstanding claims. The expected timing of payments from the provision for outstanding claims involves considerable uncertainty.

Expected timing of future payments for outstanding claims	2015	2014
Up to 1 year	5%	5%
Over 1 year and up to 5 years	14%	14%
Over 5 years and up to 10 years	15%	15%
Over 10 years and up to 15 years	14%	14%
Over 15 years	52%	52%
Total	**100%**	**100%**

Claims development

In the following table, cumulative claim costs are shown for each Year of Injury (YOI) and Year of Estimate (YOE). Each cell contains actual costs paid from YOI to YOE plus estimated costs projected to be paid beyond the YOE.

	Year of injury ($ millions)										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Year of estimate											
2006	1,121										
2007	1,102	1,186									
2008	1,096	1,200	1,274								
2009	1,074	1,196	1,268	1,235							
2010	1,049	1,182	1,268	1,175	1,112						
2011	1,056	1,206	1,310	1,198	1,139	1,236					
2012	1,081	1,237	1,372	1,267	1,269	1,381	1,446				
2013	1,088	1,255	1,391	1,287	1,294	1,422	1,520	1,498			
2014	1,074	1,242	1,378	1,261	1,272	1,405	1,526	1,520	1,485		
2015	1,055	1,220	1,354	1,232	1,241	1,365	1,484	1,481	1,481	1,513	13,426
Current (2015) estimate of cumulative claim costs	1,055	1,220	1,354	1,232	1,241	1,365	1,484	1,481	1,481	1,513	13,426
Cumulative payments	(711)	(829)	(915)	(770)	(791)	(830)	(844)	(727)	(560)	(271)	(7,248)
Outstanding claims (undiscounted)	344	391	439	462	450	535	640	754	921	1,242	6,178
Discount											(3,222)
2005 and prior years of injury											2,012
Survivor benefits											107
Claim administration											688
Subtotal of outstanding claims — unfinalled liabilities											**5,763**
Pension liabilities											5,289
Latent occupational disease liability											350
Total outstanding claims per consolidated statement of financial position											**11,402**

Claim costs for most YOI exhibit a downward trend by the YOE. This is primarily due to a general reduction in unit liability costs over the past decade. This results in a higher estimated cost being replaced by a lower actual cost each year as the YOE progresses which, in turn, produces the downward trend shown.

Note 11 — Reserves

Accounting policy

WorkSafeBC has established different reserves for both specific and general purposes. They were created either due to legislative requirement, as specified below, or as approved by the Board of Directors. Reserves are funded through appropriations from the unappropriated balance. Transfers to and from reserves are accounted for as appropriations from or returns to the unappropriated balance.

Special reserves

The $40,000 Accident Fund special reserves, established pursuant to Section 39 of the *Workers Compensation Act*, include the:

- Contingent Reserve [Section 39(1)(b)], which provides a reserve in aid of industries or classes that may become depleted or extinguished
- Disaster Reserve [Section 39(1)(d)], which provides a reserve to meet the loss arising from a disaster or other circumstances WorkSafeBC considers an unfair burden to the employers in a particular class
- Enhancement Reserve [Section 39(1)(e)], which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition, or disability

Claims deemed by WorkSafeBC to be covered by these reserves are charged to current operations but prorated to the various employer classes, rather than being charged directly to any specific class.

Latent Occupational Disease Reserve

WorkSafeBC established a $200,000 Latent Occupational Disease Reserve relating to occupational diseases not currently recognized as compensable but that may be recognized in the future based on new scientific evidence. These claims, unknown at present, will not be reported for a number of years due to the extended latency periods and delay before they are scientifically recognized. This reserve has been provided for in addition to the amount recognized as a liability (see Note 10).

Earthquake Disaster Reserve

A $20,000 Earthquake Disaster Reserve was established to provide for claims from workers who may be injured in the course of their employment during an earthquake disaster.

Research Reserve

The $30,000 Accident Fund Research Reserve, established pursuant to Section 111 of the *Workers Compensation Act*, funds initiatives in scientific study, as well as disseminating information and applying ways to reduce occupational injury, disease, impairment, or disability arising from employment, in support of WorkSafeBC's strategic plan. The $30,000 reserve will remain intact; investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, is directed to funding research.

Injury Reduction and Return-to-Work Initiatives Reserve

In 2010, WorkSafeBC established a $50,000 reserve from its unappropriated balance to provide funding for piloting and implementing initiatives in workplace injury reduction and disability and injury management. This reserve will remain intact; investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, is directed to funding projects in this area.

General Reserve

In 2006, WorkSafeBC established a $250,000 General Reserve from its unappropriated balance to provide for special circumstances, including legislative changes that might significantly impact the organization's consolidated financial statements and assessment rates levied in a particular year. The target level of the reserve will be evaluated and, if necessary, adjusted yearly based on emerging circumstances — including pending legislation. This reserve will be drawn down when circumstances in the year would otherwise significantly impact employer assessment rates.

Capital Adequacy Reserve

In 2007, WorkSafeBC established a Capital Adequacy Reserve (CAR) to ensure it maintains an asset level for the Accident Fund that is adequate to mitigate the risks in its assets and liabilities. Funds will be appropriated from the unappropriated balance into the Capital Adequacy Reserve, based on an internal policy, until the reserve is built up to the target CAR level (determined using a methodology derived from capital reserve guidelines of the federal Office of the Superintendent of Financial Institutions, or OSFI). In September 2014, OSFI announced changes to the minimum capital requirements. Effective January 1, 2015, these changes

Note 11 — continued

were implemented by WorkSafeBC at that time. Although WorkSafeBC is not subject to regulatory oversight by OSFI, it seeks to provide security for worker benefits comparable to that required of private insurers regulated by OSFI.

In 2015, $554,000 was contributed to the Capital Adequacy Reserve. In 2014, a contribution of $847,000 was made.

	December 31, 2015	December 31, 2014
Capital Adequacy Reserve	2,363,000	1,809,000
Target Capital Adequacy Reserve level	3,998,000	3,367,000

The target Capital Adequacy Reserve level is affected by the value of assets and liabilities to which risk factors (derived from OSFI guidelines) are applied.

Reserves

	December 31, 2015	December 31, 2014
Special reserves		
Contingent Reserve	2,500	2,500
Disaster Reserve	16,500	16,500
Enhancement Reserve	21,000	21,000
	40,000	40,000
Latent Occupational Disease Reserve	200,000	200,000
Earthquake Disaster Reserve	20,000	20,000
Research Reserve	30,000	30,000
Injury Reduction and Return-to-Work Initiatives Reserve	50,000	50,000
General Reserve	250,000	250,000
Capital Adequacy Reserve	2,363,000	1,809,000
Total	**2,953,000**	**2,399,000**

Note 12 — Premiums

Accounting policy

Premium revenue primarily consists of statutory employer assessments for workplace injury coverage. Rateable employer premiums are assessed when employers report their insurable earnings for the current premium year. For employers who have not reported, premiums are estimated and any differences between actual and estimated premiums are adjusted when insurable earnings are reported. Self-insured employers' premiums are recognized based on the costs of their employees' claims (see Note 13).

Premium revenue is fully earned and recognized over the coverage period. As a significant portion of premium income for the year relating to rateable employers is not received until after year-end, the amount shown is an estimate based on economic and statistical data (see Note 3). The difference between the estimate and actual income received is credited or charged to income in the following year. Historically, the difference has not been significant.

Reported premium revenue for the current period includes adjustments for premiums from prior periods and penalties on overdue assessments, and is net of Partners program financial incentives.

Note 12 — continued

Partners in Injury and Disability Prevention program

The Partners in Injury and Disability Prevention program (Certificate of Recognition) is an employer incentive program supporting WorkSafeBC's vision of workers and workplaces that are safe and secure from injury, disease, and death. Through financial incentives, it encourages employers to implement health, safety, and return-to-work management systems. WorkSafeBC recognizes the estimated payments to qualified employers expected to have satisfied the program criteria as at December 31 as a provision. These amounts are recognized as offsets against accrued premiums (see Note 3). The difference between the estimate and actual payments provided to employers is credited or charged to income in the following year. Historically, the difference has not been significant.

Capping of rate changes

The capping of rate changes represents the effect of WorkSafeBC's policy to limit changes to the base rates of any rate group from year to year.

Amortization of balance

Amortization of the balance represents the effect of the planned amortization of the projected unappropriated balance (surplus or deficit, determined on a smoothed basis) of each rate group at the beginning of each assessment year.

Industry funding via balance

This amount represents the charge in the assessment rate for external health and safety programs, which are funded over a five-year period. Five years is also the period over which the rate group balances are generally amortized in the assessment rate.

Certificate of Recognition charge

The amounts shown under the Partners in Injury and Disability Prevention (PIDP) program table heading represent the estimated premium reduction granted to employers participating in the Certificate of Recognition program. The amounts shown under the Certificate of Recognition charge table heading represents the funding of the PIDP premium reductions over a five-year period.

Capital Adequacy Reserve drawdown

This amount represents the reduction in the premium resulting from a drawdown from the Capital Adequacy Reserve (CAR) approved by the Board of Directors to stabilize the overall assessment rate.

Premium income

	2015	2014
Rateable classes	1,580,906	1,460,277
Partners in Injury and Disability Prevention program financial incentives	(45,779)	(46,344)
Capping of rate changes and amortization of balance		
Capping of rate changes	(62,357)	(85,980)
Amortization of balance	(14,615)	(46,378)
Industry funding via balance	6,115	10,381
Certificate of Recognition charge	34,586	30,859
Capital Adequacy Reserve drawdown	(117,854)	—
	(154,125)	(91,118)
Penalties on overdue assessments	7,405	6,742
Rateable employers	1,388,407	1,329,557
Self-insured employers (Note 13)	24,856	13,833
Total	**1,413,263**	**1,343,390**

Note 13 — Self-insured employers

Accounting policy

Certain employers are permitted to be self-insured under the *Workers Compensation Act* of British Columbia (the Act). For these employers, premiums are billed and amounts are recognized on a monthly basis equal to the benefit payments made for short-term disability, health care, vocational rehabilitation, and for the values of pension reserves for long-term disability and survivor benefits, based on the present value of monthly pension payments over the expected length of the pension. Self-insured employers are also billed for their proportionate share of WorkSafeBC administration costs and other costs where applicable; they earn or are charged interest on the monthly average deposit balance under Section 48 of the Act. Additionally, in those years when investment return on the pension reserve exceeds the minimum required return, the surplus is credited to the employer and applied to reduce claim cost reimbursements. Conversely, the deficit is charged to the employer when investment return is less than the minimum required.

Premium income — self-insured employers

	2015	2014
Current premium income	24,856	13,833
	24,856	13,833
Claim costs		
Short-term disability	6,869	4,804
Long-term disability	10,740	11,361
Survivor benefits	2,070	2,074
Health care	5,019	2,258
Vocational rehabilitation	2,288	1,917
Long-latency occupational diseases	(60)	(239)
Claim administration	4,959	4,180
	31,885	26,355
Share of special reserves costs	4,326	3,720
Operating costs	2,218	1,907
Other costs (income)	44	(4)
	38,473	31,978
Less:		
Share of investment income	(13,617)	(18,145)
Total	**24,856**	**13,833**

Included in the benefit liabilities is $149,551 (December 31, 2014: $145,299) of provision for unfinalled claims for self-insured employers and $8,359 (December 31, 2014: $8,420) for the long-latency occupational disease liability. An equivalent amount is included in receivables because these liabilities will be paid by those employers in future years; hence, they do not affect WorkSafeBC's funded position.

Note 14 — Other income

Accounting policy

Other income includes prevention penalties for workplace safety infractions, third-party litigation fee recoveries, Freedom of Information and disclosure fees, and amounts charged for publications and rentals, along with other incidental revenues. Prevention penalties are recognized when penalties are assessed; other revenues are recognized when services are provided.

Other income

	2015	2014
Prevention penalties	6,847	7,307
Third-party litigation fee recoveries	3,012	1,444
Miscellaneous income	675	1,058
Total	**10,534**	**9,809**

Note 15 — Prevention and administration costs

Accounting policy

Administration costs include prevention costs, claim administration costs, appellate costs, and general and administrative support costs. Prevention and administration costs are recognized once goods and services have been received.

Claim administration costs relate to the portion of administration costs incurred to adjudicate claims for compensation, manage claims, and process claim payments. These are allocated to claim costs.

Prevention and administration costs

	2015						
		Administration costs					
	Prevention costs	Customer services	Information technology and facilities	Corporate services	WCAT,* Review Division, and advisors	Subtotal	Total
Salaries and employee benefits	55,408	146,715	33,288	89,761	12,916	282,680	338,088
Amortization of capital assets	2,306	8,069	12,017	3,464	538	24,088	26,394
WCAT* and advisors	—	—	—	—	26,979	26,979	26,979
Consulting fees	1,996	1,197	11,674	5,968	33	18,872	20,868
Office expenses and communication	1,833	7,599	13,099	(7)	675	21,366	23,199
Building expenses	132	207	10,878	811	41	11,937	12,069
Sessional doctor fees	1	6,091	—	—	161	6,252	6,253
Travel and vehicle expenses	3,180	1,970	265	337	9	2,581	5,761
Other administration expenses	2,626	10,655	1,907	11,567	209	24,338	26,964
Cost recoveries	(366)	(23,120)	(7,494)	(19,660)	—	(50,274)	(50,640)
	67,116	159,383	75,634	92,241	41,561	368,819	435,935
Less:							
Claim administration costs	—	126,602	47,370	49,787	28,086	251,845	251,845
Total	**67,116**	**32,781**	**28,264**	**42,454**	**13,475**	**116,974**	**184,090**

* Workers' Compensation Appeal Tribunal

Note 15 — continued

Prevention and administration costs

	2014						
		Administration costs					
	Prevention costs	Customer services	Information technology and facilities	Corporate services	WCAT,* Review Division, and advisors	Subtotal	Total
Salaries and employee benefits	52,821	145,729	32,254	75,714	12,702	266,399	319,220
Amortization of capital assets	2,068	9,908	12,038	2,558	770	25,274	27,342
WCAT* and advisors	—	—	—	—	26,907	26,907	26,907
Consulting fees	1,514	1,337	12,671	4,044	4	18,056	19,570
Office expenses and communication	1,359	6,427	12,170	1,598	452	20,647	22,006
Building expenses	133	306	9,991	1,890	43	12,230	12,363
Sessional doctor fees	2	6,505	—	—	161	6,666	6,668
Travel and vehicle expenses	3,049	2,339	191	452	13	2,995	6,044
Other administration expenses	3,670	10,817	1,777	12,016	188	24,798	28,468
Cost recoveries	(302)	(24,313)	(7,668)	(16,192)	—	(48,173)	(48,475)
	64,314	159,055	73,424	82,080	41,240	355,799	420,113
Less:							
Claim administration costs	—	126,945	47,021	44,165	27,962	246,093	246,093
Total	**64,314**	**32,110**	**26,403**	**37,915**	**13,278**	**109,706**	**174,020**

Note 16 — Injury research and reduction initiatives

Accounting policy

WorkSafeBC provides funding to support high-quality, independent, scientific study relating to workplace health and safety, as well as research in the area of workers' compensation. Funding is also provided to entities furthering the education and development of safe workplace practices. These expenses are recognized when the services or deliverable milestones have been performed.

Partners in Injury and Disability Prevention program administration

The Partners in Injury and Disability Prevention program supports WorkSafeBC's vision of workers and workplaces safe and secure from injury, disease, and death. Funding is provided to health and safety associations and other industry organizations to administer this financial incentive program.

Injury research and reduction initiatives

	2015	2014
Injury-reduction initiatives	10,332	5,467
Partners in Injury and Disability Prevention program administration	5,798	5,547
Research grants	818	1,407
Total	**16,948**	**12,421**

* Workers' Compensation Appeal Tribunal

Note 17 — Commitments

WorkSafeBC has several operating leases for office space. Renewal options are a feature in some of the lease agreements. As WorkSafeBC may or may not exercise its rights under these options, renewal amounts are excluded from commitments. In 2013, WorkSafeBC also committed to leasing space in a data centre. Future commitments for payments expected to be charged against operating costs for operating leases over the next five years are as follows:

December 31, 2015	Office space	Data centre	Total
2016	3,565	578	4,143
2017	4,075	578	4,653
2018	4,383	578	4,961
2019	2,385	578	2,963
2020 and beyond	1,598	2,408	4,006
Total	**16,006**	**4,720**	**20,726**

December 31, 2014	Office space	Data centre	Total
2015	3,519	578	4,097
2016	2,809	578	3,387
2017	2,859	578	3,437
2018	2,892	578	3,470
2019 and beyond	861	2,985	3,846
Total	**12,940**	**5,297**	**18,237**

Additionally, WorkSafeBC has committed to participating in future funding of investments in private placements, foreign real estate, infrastructure, and renewable resources. Unfunded commitments as at December 31, 2015 were $1,216,345 (2014: $737,163). A further commitment of up to $250,000 was made in December 2015 to the British Columbia Investment Management Corporation (bcIMC), WorkSafeBC's investment manager, for potential investment opportunities in foreign real estate beginning in 2016. If necessary, units of pooled fund investments will be liquidated to satisfy these funding requirements. Timing of the funding and related investment is uncertain as it is dependent upon appropriate investing opportunities identified by bcIMC.

Note 18 — Contingencies

Legal proceedings

At any given time, WorkSafeBC is party to various claims and legal proceedings relating to its operations. Management believes WorkSafeBC has strong defences against these claims and that no financial provisions for them are appropriate or required.

Indemnification agreements

In the normal course of operations, WorkSafeBC enters into contractual agreements containing standard contract terms which provide that WorkSafeBC shall indemnify certain parties. The potential liability of WorkSafeBC under the terms will vary depending on the wording of the terms and/or the occurrence of contingent or future events, the nature of which prevents WorkSafeBC from making a reasonable estimate of the potential amount that may be payable to those contractual parties. WorkSafeBC also indemnifies its employees and members of its Investment Committee against all claims or proceedings brought against them for any actions performed which the individual believed were within the jurisdiction of WorkSafeBC and in the course of their employment, or performed with reasonable care within the terms of reference of the committee. WorkSafeBC has not made any payments or accrued any amounts in the consolidated financial statements relating to these indemnifications.

Note 19 — Capital management

WorkSafeBC's total capital available or funded position is represented by the sum of the unappropriated surplus, accumulated other comprehensive income, and reserves. When managing capital, WorkSafeBC's objectives are:

- To build up capital to a level that provides a comparable degree of security of worker benefits to that required for private insurers regulated under the federal Office of the Superintendent of Financial Institutions (OSFI). WorkSafeBC has adopted a capital adequacy policy modelled after OSFI guidelines. This policy specifies the criteria under which the Capital Adequacy Reserve (CAR) will be built up or drawn down.
- To mitigate the risks in the investment portfolio and reduce the volatility of employer premium rates arising from investment in equities. Equity investments are expected to produce higher long-term returns and,

thus, lower long-term employer assessment costs, but are subject to market volatility. Strong capital reserves can be drawn upon to limit employer premium-rate volatility arising from such investments.

- To cover reasonable levels of both foreseen and unforeseen plausible events that, even though they occur relatively infrequently, could have a significant financial impact on WorkSafeBC.

These objectives align with WorkSafeBC's strategic objective of ensuring the long-term financial sustainability of the workers' compensation system.

As already noted, WorkSafeBC maintains a Capital Adequacy Reserve (CAR) and has set a target level to achieve the capital management objectives noted above (see Note 11). The following table shows the total assets as a ratio of the target asset requirement level, based on the total liabilities plus the target CAR level and other reserves. The optimum goal is to achieve 100 percent of the target asset requirement (see key performance indicator #8, page 47, for further information on this performance measure).

	December 31, 2015	December 31, 2014
Total assets	16,425,323	15,383,867
Target asset requirement level	16,497,674	15,820, 215
Percent of target assets achieved	100%	97%

Note 20 — Related party transactions

Government-related entities

WorkSafeBC is accountable to the public through its Board of Directors, appointed by B.C.'s Minister Responsible for Labour. WorkSafeBC is separate and distinct from the Government of B.C., and is not part of the B.C. government reporting entity.

Key management personnel

Compensation

The following table shows the compensation for WorkSafeBC's key management personnel:

	2015*					
	Salary	Short-term benefits	Hold-back	Other earnings	Pension	Total
President and CEO	315,803	8,892	35,089	10,625	36,938	407,347
Senior vice-president, HR and Corporate Services	265,320	14,724	23,584	12,085	31,123	346,836
Senior vice-president, Finance and IT, and CFO	265,320	16,183	23,584	10,126	30,905	346,118
Senior vice-president, Operations	238,788	17,684	21,226	7,500	27,471	312,669
Total	**1,085,231**	**57,483**	**103,483**	**40,336**	**126,437**	**1,412,970**

* Information presented in this table has not been rounded to the nearest $ thousands.

Note 20 — continued

2014*

	Salary	Short-term benefits	Hold-back	Other earnings	Pension	Long-service benefits	Total
President and CEO	336,814	13,033	32,190	65,748	37,491	70,178	555,454
Senior vice-president, HR and Corporate Services	265,320	14,324	26,532	12,835	32,206	—	351,217
Senior vice-president, Finance and IT, and CFO	265,320	15,783	26,532	10,876	31,988	—	350,499
Senior vice-president, Operations	251,943	12,597	25,205	9,813	31,381	—	330,939
Total	**1,119,397**	**55,737**	**110,459**	**99,272**	**133,066**	**70,178**	**1,588,109**

In 2014, both the President and CEO position and the senior vice-president, Operations position were held by two different individuals over different periods; for presentation purposes, compensation paid to these individuals has been combined in the table above.

Short-term benefits include medical benefits, dental benefits, group life insurance, accident insurance, and the employer's share of contributions or payments to the Canada Pension Plan (CPP), and Employment Insurance (EI).

Holdbacks are the portion of current reporting period salary payable to incumbents in future periods.

Other earnings include payouts for unused vacation, car allowances, and supplementary executive allowances for reimbursement of medical, dental, and insurance expenses not covered by employee benefit plans.

Pension costs represent the employer's share of contributions or payments to the WorkSafeBC employee pension plan for the reported earnings.

Long-service benefits were paid to the former President and CEO upon his retirement from WorkSafeBC in 2014.

The following tables show total compensation for the WorkSafeBC Board of Directors:

2015*

	Number of individuals	Fees	Statutory benefits	Total
Chair, Board of Directors	1	$ 29,100	$ 710	$ 29,810
Board members	8	$122,625	$7,259	$129,884
Total	**9**	**$151,725**	**$7,969**	**$159,694**

2014*

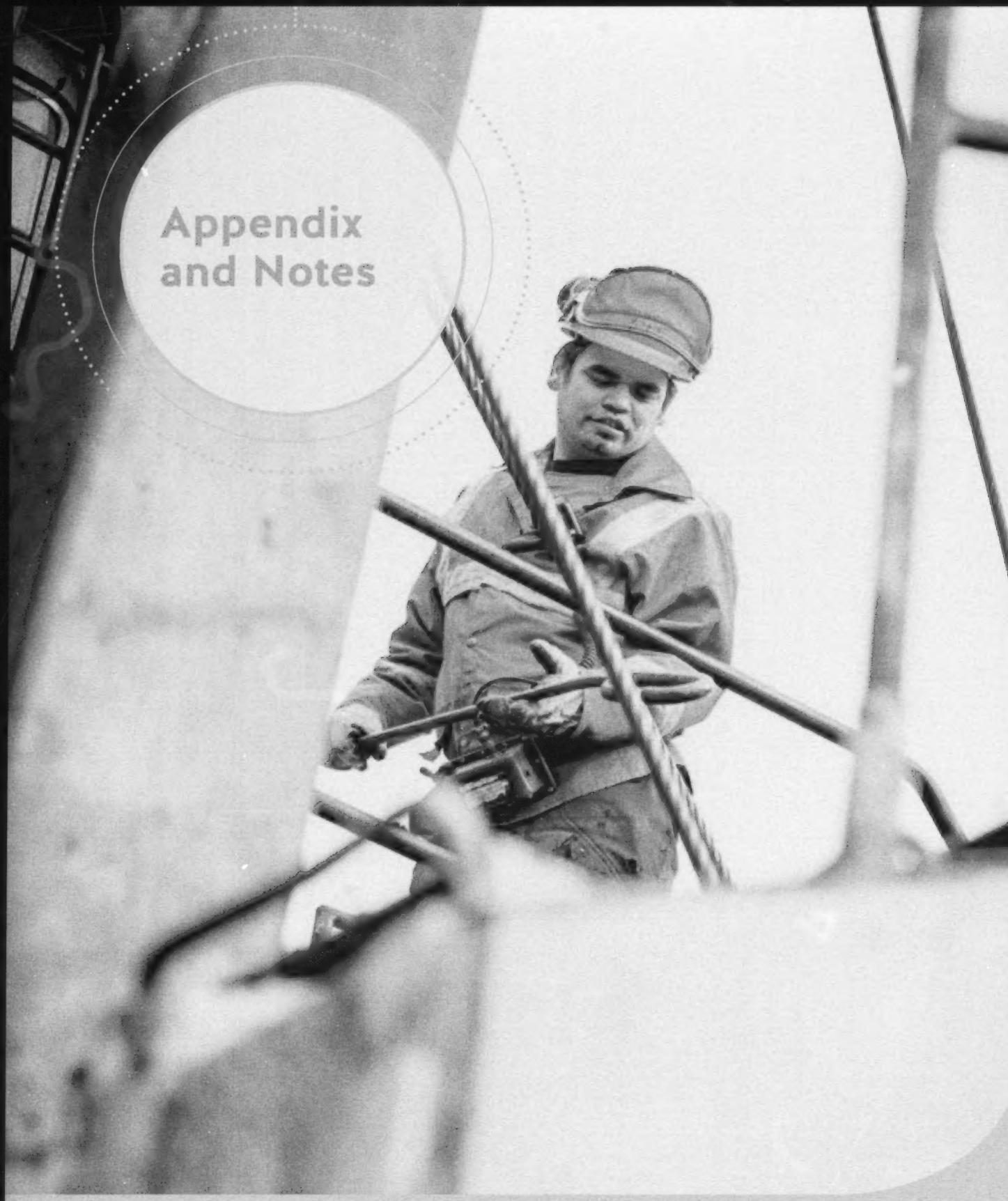
	Number of individuals	Fees	Statutory benefits	Total
Chair, Board of Directors	1	$ 37,375	$ 703	$ 38,078
Board members	6	$129,860	$5,608	$135,468
Total	**7**	**$167,235**	**$6,311**	**$173,546**

* Information presented in these tables has not been rounded to the nearest $ thousands.

Annual retainers of $15,000 and $7,500 were provided to the Chair of the Board and other Board members respectively. In addition, Board members received $500 per meeting attended, or $250 per meeting attended with duration of less than or equal to four hours. Board members who serve as subcommittee chairs receive an additional annual retainer of $5,000 for Audit Committee and $3,000 for other committees. Statutory benefits consist of WorkSafeBC's share of CPP contributions and EI premiums when compensation is paid to the individual.

Pension plan

WorkSafeBC has a pension plan which is a related party by virtue of IAS 24 (*Related Party Disclosures*). See Note 9 for detailed information on pension plan transactions.



Appendix and Notes

Appendix A: Comparing Results with Other Canadian Workers' Compensation Organizations

Each workers' compensation organization in Canada is subject to a distinct set of legal requirements, policies, and operating issues, so it is difficult to make direct comparisons between WorkSafeBC's performance and that of other organizations.

To enable performance comparisons, the Association of Workers' Compensation Boards of Canada (AWCBC) compiles a set of standardized financial and statistical indicators. These indicators are compiled (unaudited) using data collected from all Canadian workers' compensation organizations, including WorkSafeBC. Most of these indicators are not directly comparable with the 10 key performance indicators we use; however, in some cases our performance can be approximately compared to that of other workers' compensation organizations. All comparisons are made using 2014 data — the most current information available at the time of publication.

Key objective #1: Reduce the provincial injury rate

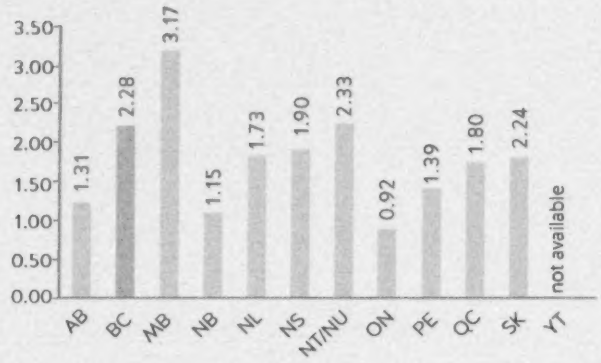
2015 target: 2.40 claims first accepted per 100 person-years of employment

2015 result: 2.23 claims first accepted per 100 person-years of employment (see page 30)

2016–2018 targets: 2.30 or less, 2.30 or less, 2.30 or less

Related comparison: The AWCBC publishes an annual, Canada-wide comparison of injury frequency using a standardized calculation. However, injury frequency cannot be directly compared between provinces and territories as injury rates are influenced by the industries present in each jurisdiction. The following chart reflects the relative injury frequency for all provinces and territories, as published in April 2016 (based on 2014 source data).

Injury frequency
(per 100 workers of assessable employers)



Source: AWCBC Key Statistical Measures 2014

Key objective #2: Improve return-to-work outcomes

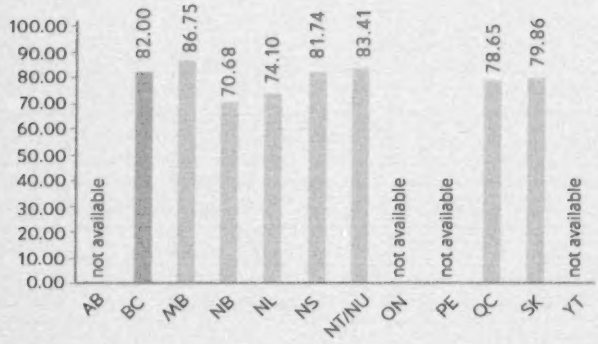
2015 target: 81.0 percent of workers returning to work by 26 weeks

2015 result: 82.6 percent (see page 34)

2016–2018 targets: 82.0 percent, 82.0 percent, 82.0 percent

Related comparison: The AWCBC publishes an annual, Canada-wide comparison of claim duration using a standardized calculation to measure how soon injured workers leave the wage-loss compensation system permanently. While not fully equivalent with our KPI #2 measurement of return-to-work outcomes, the AWCBC measurement of the percentage of new lost-time claims that have received their last day of wage-loss benefits 120 days after the injury provides a comparable measure. The following table provides the most current data available.

Percentage of wage-loss claims off compensation at 120 days



Source: AWCBC Key Statistical Measures 2014

Key objective #3: Improve return-to-work outcomes for workers in vocational rehabilitation

Related comparison: No comparable data is available.

Key objective #4: Improve timeliness of initial short-term disability payments

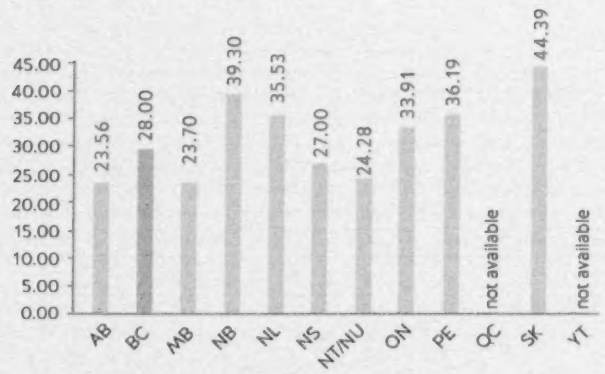
2015 target: 18.0 days

2015 result: 18.1 days (see page 39)

2016–2018 targets: 18.0 days, 18.0 days, 17.5 days

Related comparison: The AWCBC publishes an annual Canada-wide comparison of the timeliness of initial short-term disability payments using a standardized calculation that is slightly different from WorkSafeBC's method of calculation. The chart that follows reflects the average number of calendar days starting from the date of injury to the date of first payment, as published in April 2016 (based on 2014 source data).

Average calendar days from injury to first payment issued



Source: AWCBC Key Statistical Measures 2014

Key objective #5: Improve injured workers' rating of overall experience

Related comparison: No comparable data is available.

Key objective #6: Improve employers' rating of overall experience

Related comparison: No comparable data is available.

Key objective #7: Raise public confidence

2015 target: 90 percent or more

2015 result: 93 percent (see page 43)

2016–2018 targets: 90 percent or more, 90 percent or more, 90 percent or more

Related comparison: To track public confidence, WorkSafeBC hires a third party to survey B.C. residents four times a year. Respondents are asked if WorkSafeBC makes a positive or negative contribution to the province. The major indicator of WorkSafeBC's success is the degree to which British Columbians think the organization makes a positive contribution to the province. As with all surveys, sample size, respondent variation, and issues prevalent in the news media can influence results.

No other workers' compensation system in Canada reports on its ability to raise public confidence, nor uses a similar indicator to determine its reputation with the communities it serves. Several provincial public and

private organizations have conducted surveys similar to those carried out on behalf of WorkSafeBC; however, these results are no longer available to the public. Nonetheless, similar survey results are in a range from a high of 95 percent to a low of 55 percent among participating groups.

Key objective #8: Achieve 100 percent of the target asset level

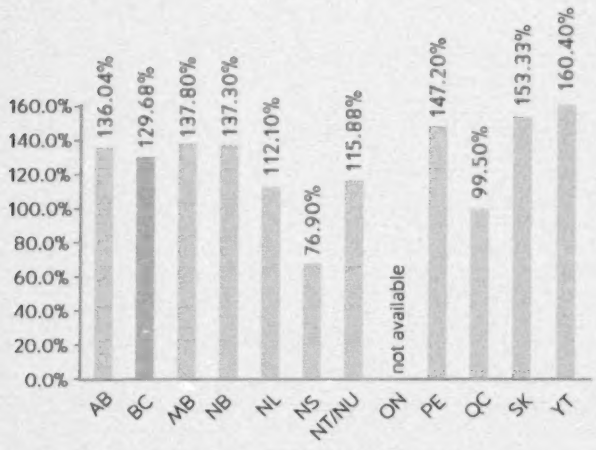
2015 target: 93 percent

2015 result: 100 percent (see page 47)

2016–2018 targets: 97 percent, 95 percent, 95 percent

Related comparison: For the purposes of comparison with other provinces and territories in Canada, the only other metric of funding adequacy that is available, and used by the AWCBC, is total assets divided by total liabilities. The following chart shows the average funding level of each provincial and territorial workers' compensation system, published in April 2016, stated in terms of its market value and based on year-end 2014 data.

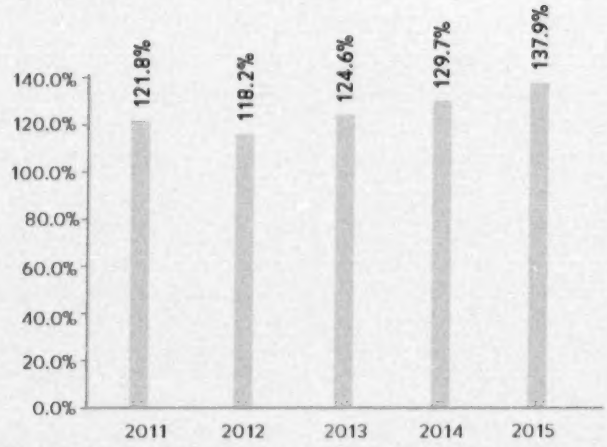
Total assets over total liabilities (provinces and territories)



Source: AWCBC Key Statistical Measures 2014

WorkSafeBC's funding level for 2011 through 2015 is also shown for comparative purposes. In comparing the two measures of funding sufficiency — achieve 100 percent of the target asset level versus assets over liabilities — 100 percent achievement against the target asset level equates to 138 percent asset coverage over liabilities, because WorkSafeBC aims to have more assets than liabilities, in the form of various reserves. (See Note 11 of the consolidated financial statements, page 120.)

Total assets over total liabilities (WorkSafeBC)



Key objective #9: Control administration costs (per $100 of assessable payroll)

2015 target: $0.52

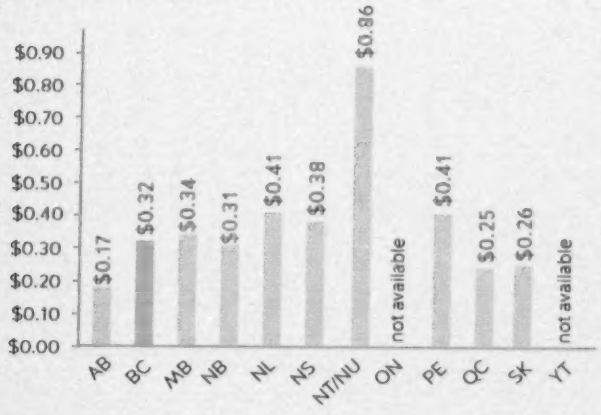
2015 result: $0.49 (see page 50)

2016–2018 targets: $0.51, $0.50, $0.49

Related comparison: The AWCBC calculates administration costs per $100 of assessable employer payroll according to a standardized formula. WorkSafeBC's indicator measuring the control of administration costs changed in 2014; instead of using the AWCBC definition,[56] we applied a total cost basis that excluded only the administration costs for self-insured employers. This resulting change provides a more representative measure of our total administration costs than the AWCBC measure, which only includes administration costs related to services found in all Canadian workers' compensation organizations.

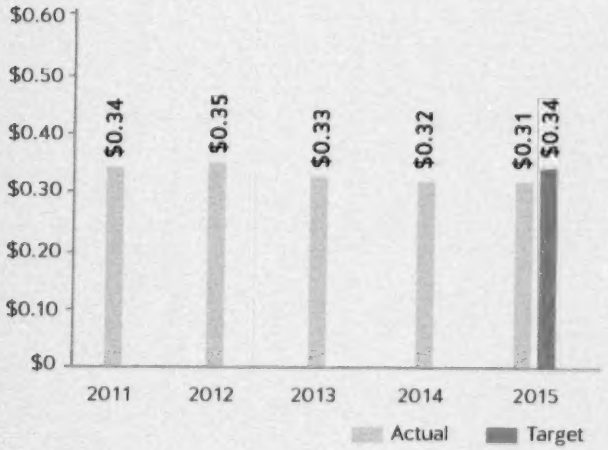
For the purpose of comparing our results with those of other provinces and territories, the most useful metric is the AWCBC administration cost measure. It calculates administration costs per $100 of assessable employer payroll based on a standardized formula. The chart that follows shows the AWCBC administration costs per $100 of assessable employer payroll for each province and territory as published in April 2016 (based on year-end 2014 data).

Administration costs per $100 of assessable payroll



Source: AWCBC Key Statistical Measures 2014

For year-over-year comparisons, the following chart shows WorkSafeBC's administration costs (AWCBC definition) per $100 of assessable payroll.



The 2015 result improved slightly compared to 2014. Although administration costs (AWCBC definition) increased by 1.3 percent ($3.6 million), the province's assessable payroll increased by a higher rate of 4.3 percent ($3.6 billion). When compared to the $0.34 target for 2015, the improved, actual $0.31 result is due to lower-than-budgeted administration costs.

Key objective #10: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Related comparison: No comparable data is available.

Senior Executive

Diana Miles
President and Chief Executive Officer

Brian Erickson
Senior Vice-President, Finance/IT
and Chief Financial Officer

Al Johnson
Vice-President, Prevention Services

Ian Munroe
Vice-President, Employer, Industry,
and Worker Services

Ian Shaw
General Counsel and Secretary to WorkSafeBC

Trevor Alexander
Senior Vice-President, Operations

Roberta Ellis
Senior Vice-President, Corporate Services
and Human Resources

Todd McDonald
Vice-President, Claims Services

Kevin La Freniere
Vice-President, Business Analysis,
Corporate Communications, and Marketing

Online viewing

For an electronic copy of this report, visit our website at worksafebc.com.

Feedback

To comment on WorkSafeBC's *2015 Annual Report and 2016–2018 Service Plan*, contact Terence Little, Director of Corporate Communications, at 604.276.7666, or email terence.little@worksafebc.com.

Endnotes

1. The provincial injury rate is calculated according to the Association of Workers' Compensation Boards of Canada's definition of the term (see Appendix A, page 131). Wage-loss injuries, work-related death claims (cases involving funeral expenses and/or survivor benefits), and long-term disability claims occurring in 2015 that were first paid that year (or anticipated to be initially paid in the first quarter of 2016) are counted and expressed as a ratio to 100 person-years of employment. Injuries arising from and employment related to deposit-class employers are excluded from this calculation. A person-year is the equivalent of one person working all year on either a part- or full-time basis. Estimates for person-years are based on gross payrolls submitted by employers, as well as matching wage-rate data.
2. In accordance with a November 17, 2015 amendment to the *Workers Compensation Act*, WorkSafeBC's annual report and service plan must be provided annually to the Minister Responsible for the *Workers Compensation Act* by April 30.
3. For priorities, goals, and operational objectives as defined by the strategic plan, see page 26.
4. An outline for public performance plans and reports providing a set of performance reporting principles for the British Columbia public sector. For a complete list of reporting principles, visit bcauditor.com.
5. Smoothed accounting recognizes investment income at the required rate of return (based on the inflation rate plus the 3.0 percent discount rate used to calculate liabilities) plus the amortization, over a five-year period, of the difference between the actual and required return on investments. The smoothed-basis investment income is adjusted, if necessary, to ensure the smoothed value of assets is between 90 and 110 percent of the market value of assets. Smoothed accounting also amortizes actuarial gains or losses, relating to WorkSafeBC's employee benefit plan assets and liabilities, on a straight-line basis over a five-year period.
6. The Accident Fund provides for the payment of compensation, outlays, and expenses referred to in Section 36 of the *Workers Compensation Act*. It is made up of the portfolio of investments and other WorkSafeBC assets.
7. See endnote 1.
8. See endnote 1.
9. A reduction in the injury rate of just 1.0 percent (e.g., from 2.27 to 2.25) results in approximately 500 fewer workers suffering injuries requiring time off work. In turn, this translates into a reduction of approximately $9.9 million in claim costs and a gain of 26,300 productive workdays for B.C.'s economy.
10. For more information on the serious injury rate, consult *WorkSafeBC Statistics 2015*, available at worksafebc.com.
11. WorkSafeBC uses *International Classification of Diseases, Ninth Revision* (ICD-9) to categorize specified injury or disease types.
12. Fifty or more lost workdays.
13. Starting in 2015, the methodology to calculate deaths identified as work-related was amended. The new calculation accounts for work-related deaths in the year they are accepted. Previously, work-related deaths were counted in the year they were first paid.
14. See endnote 13.
15. Work-related death data has been restated from what was previously published in the *2014 Annual Report and 2015-2017 Service Plan*. This restatement is a result of a change in the methodology to calculate work-related deaths which became effective in 2015.
16. Bill 9: *Workers Compensation Amendment Act, 2015* received Royal Assent on May 14, 2015 and includes a number of changes to Part 3 of the *Workers Compensation Act* (the Act). The changes improve workplace health and safety and strengthen the tools WorkSafeBC uses to enforce the Act and the Occupational Health and Safety Regulation. For more information visit worksafebc.com, Regulation & Policy.
17. Bill 35: *Workers Compensation Amendment Act (No.2), 2015* received Royal Assent on November 17, 2015 and contains a number of changes to Part 3 of the *Workers Compensation Act*. These changes build on amendments made to Bill 9. For more information visit worksafebc.com, Regulation & Policy.
18. In July 2014, the WorkSafeBC Board of Directors accepted the *WorkSafeBC Review and Action Plan* as prepared by Gordon Macatee. The report outlines 43 recommendations relating to occupational health and safety inspections and investigations.
19. WorkSafeBC may stop work or prohibit work from starting at other workplaces or parts of those workplaces of the same employer who was issued a stop-work order.
20. Instead of issuing an order for non-high-risk violations, WorkSafeBC may enter into a compliance agreement with an employer. Under that agreement, the employer will voluntarily agree to correct occupational health and safety violations and report back to WorkSafeBC by a specific date.
21. WorkSafeBC — through regulation — will be able to quickly and efficiently issue administrative penalties of up to $1,000 (plus CPI). This tool allows WorkSafeBC to penalize employers who fail to comply with orders, or who fail to prepare or send a compliance report, that are not in circumstances that are high-risk.
22. Risk is the chance or probability that a person will be harmed or experience an adverse health effect if exposed to a hazard, as defined by the Canadian Centre for Occupational Health and Safety.

23. WorkSafeBC reviews historical incidents and claim statistics from all industry sectors in B.C., identifying those with significant exposures and greater risk of injuries and fatalities.
24. The agriculture, fishing, forestry, and oil and gas industries are categorized as the Primary Resources sector. The health care industry is included in the Public sector. A complete list of sectors can be found in *WorkSafeBC Statistics 2015*, available at worksafebc.com.
25. A hazard is any source of potential damage, harm, or adverse health effects on something or someone under certain conditions at work, as defined by the Canadian Centre for Occupational Health and Safety.
26. Before 2013, KPI #2 (Improve return-to-work outcomes) measured the percentage of workers returning to work within 26 weeks from the date they were first off work due to injury out of the count of time-loss claims concluded in the same period. Now, whether the claim is open or closed, this KPI's refined methodology includes the most recent outcome of any unconcluded claim within the calendar year greater than 26 weeks. Prior-year results have not been restated.
27. The 26-week milestone was chosen for several reasons: it is recognized by workers' compensation boards across Canada as a key marker; the Association of Workers' Compensation Boards of Canada (AWCBC) uses 180 days (26 weeks) return to work as a key statistical measure; and in Medical Recovery Guidelines (such as MDGuidelines), the majority of injuries show recovery before six months. This milestone also enables us to monitor the outcomes of early intervention initiatives designed primarily to aid workers in returning to the same pre-incident workplace and employer; we have determined the 26-week window offers the greatest potential for our claim management teams to ensure durable return to work.
28. The Stay at Work Centre is an on-the-jobsite social and rehabilitative support centre that provides transitional (modified) duties and physiotherapy for injured workers.
29. WorkSafeBC considers a small employer to have between 0 and 20 full-time employees.
30. The Three Pillars of Case Management focus on proactive return-to-work planning, building trusting relationships, and delivering quality adjudication. The Three Pillars are supported by 15 case management best practices aimed at developing effective and individualized return-to-work and recovery planning for injured workers.
31. Creating three service promises to improve service to injured worker clients which results in measurable commitments and/or actions vocational rehabilitation consultants undertake to improve service as a group.
32. The 18.1-day timeliness statistic represents 75 percent of injured workers receiving payments directly from WorkSafeBC (timeliness of 24.1 days) and 25 percent of injured workers who continue to be paid by their employers (experienced timeliness of 0 days).
33. In 2015, approximately 1,200 eligible employers were excluded from the population data provided to Ipsos as they registered out-of-province telephone numbers with WorkSafeBC.
34. Examples of environmental factors that could result in increased costs include potential legislative changes, judicial reviews, class action lawsuits, and earthquakes.
35. The measure of funding adequacy used by the Association of Workers' Compensation Boards of Canada (AWCBC) is total assets over total liabilities (see Appendix A, page 133). For example, in 2015, actual assets were $16,425 million. This represents 138 percent of the liabilities of $11,910 million, but 100 percent of the current target asset level of $16,498 million.
36. WorkSafeBC determines the target level of the Capital Adequacy Reserve (CAR) using an approach comparable to that prescribed for private insurers by the Office of the Superintendent of Financial Institutions (OSFI). This approach determines the minimum capital requirement by considering the insurer's risk profile. OSFI requires that private insurers maintain levels of at least 150 percent of the minimum capital requirement. By resolution in 2013, using OSFI methodology, WorkSafeBC's Board of Directors set the target capital requirement (equal to the target level of the CAR plus the actual level of the other non-CAR reserves) at 150 percent of the minimum capital requirement level.
37. Under the *Workers Compensation Act*, short-term disability, long-term disability, and survivor benefits are indexed against the annual increase in the consumer price index (CPI), as measured by the year-over-year CPI at October each year. These benefits are indexed to inflation at CPI growth less 1.0 percent, with a maximum of 4.0 percent and a minimum of 0.0. Inflation adjustments applied to benefit rates were 1.36 percent at January 1, 2015 (2.36 percent CPI growth less 1.00 percent) and 0.03 percent at January 1, 2016 (1.03 percent CPI growth less 1.00 percent).
38. See endnote 6.
39. In accordance with the AWCBC's calculation method, administration costs are adjusted for operating and legislative differences; they do not include costs associated with prevention, treasury investment, third-party recoveries and related legal expenses, grants, external appeals, workers' and employers' advisers, sessional physicians, external medical service providers, and costs related to self-insured employers — all listed as costs excluded per the AWCBC's

definition. Due to differences between Canadian workers' compensation organizations, Review Division (internal appeals) costs are also excluded.

40. Ministry of Finance estimates of B.C.'s labour income for 2016 through 2018, as published in *B.C.'s Budget and Fiscal Plan 2016/17–2018/19*, were used to project future payrolls.
41. Due to rounding, issue outcome figures for 2015 do not add to 100 percent.
42. See endnote 41.
43. See endnote 41.
44. WorkSafeBC reports on our carbon footprint using SMARTTool. Developed by Shared Services BC, a provincial agency providing provincial ministries and other public sector organizations key support services, SMARTTool provides a standardized approach to calculating and reporting greenhouse gas emissions. The Government of British Columbia has set a greenhouse gas reduction commitment of one third below 2007 levels by 2020. To support this goal and to measure its progress, the province has set interim reduction targets of six per cent by 2012 and 18 percent by 2016. While WorkSafeBC is not covered by the scope of this legislation, we have voluntarily chosen to align with the emissions reporting and reduction aspects of this mandate.
45. The SMARTTool load history report for fleet data is based on billing dates rather than purchase dates, so the 2015 total includes purchases from 2014 that were billed in 2015; it excludes purchases made in 2015 and billed in 2016.
46. WorkSafeBC aligns its waste diversion targets at head office with targets established in Metro Vancouver's Integrated Solid Waste and Resource Management Plan. Specifically, we target 70 percent waste diversion by 2015, and 80 percent by 2020.
47. For premium rate-setting purposes, WorkSafeBC uses a smoothed accounting approach; investment returns and actuarial gains or losses relating to employee benefit plans are amortized over a five-year period. This approach moderates the effect of capital market vol ility on financial results and premium rates. See the Financial Context section, page 18, for further information.
48. See endnote 47.
49. Self-insured employers are sometimes referred to as deposit account employers. They do not pay premiums based on assessable payroll, but pay WorkSafeBC the cost of all compensation benefits distributed to their workers plus a share of administration and other costs. They are required to maintain a deposit balance in their accounts from which amounts for claim costs and administration are drawn monthly. This group of employers includes the provincial government and certain other companies listed in subsection 37(1) of the *Workers Compensation Act*.
50. The year-to-date (to March 31, 2016) portfolio performance is reported based on preliminary and unaudited figures. Valuations as at March 31, 2016 for domestic real estate and investment entities are not yet available; preliminary figures for these investments are based on local currency values as at December 31, 2015, adjusted based on exchange rates as at March 31, 2016.
51. Effective July 2015, investment policy asset allocation targets were set at 25 percent fixed-income (allowable range 15–30 percent), 43 percent equity (allowable range 40–55 percent), and 32 percent inflation-sensitive (allowable range 20–40 percent). The investment policy also allows for investment in other asset classes (allowable range 0–5 percent).
52. WorkSafeBC's investments are expected to produce a long-term average real return of 3.0 percent (equal to the discount rate used to calculate liabilities) over and above the inflation rate [as measured by the annual increase in the consumer price index (CPI)]; i.e., the required return is CPI growth plus 3.0 percent. The long-term objective of WorkSafeBC's Investment Committee is to earn a real rate of return of 3.5 percent, slightly higher than the 3.0 percent discount rate used to calculate liabilities.
53. The inflation-sensitive category includes asset classes with valuations affected by the inflation rate over the long term, such as real estate and infrastructure investments. Refer to Note 4 of the consolidated financial statements for more detail.
54. Claim benefit liabilities are recorded at present value and calculated by discounting future payments. The accretion expense is an expense recognized when updating the present value of a liability in a subsequent period. It is the change in the liability due to time and discount rate applied. For example, if $100 to be paid a year from now is recorded at a discounted present value of $95, the difference of $5 interest on the liability will be incurred in the next year. This $5 increase in liability is referred to as a "normal liability accretion."
55. In 2007, WorkSafeBC's Board of Directors approved the adoption of a capital adequacy policy using a methodology derived from Office of the Superintendent of Financial Institutions (OSFI) guidelines. In Canada, the OSFI regulates banks and insurance companies to ensure they have sufficient capital to back their promises and obligations to customers and policyholders.
56. See endnote 39.

Workplace health and safety is everyone's responsibility

All workers are entitled to perform their work duties in safe and healthy work environments where hazards are minimized and controlled. The key to maintaining a safe and healthy workplace lies in joint action that involves everyone — employers, workers, supervisors, and other stakeholders — working together to fulfill their responsibilities and mitigate the risk of injury, disease, and death.

Employer responsibilities

- Provide a safe and healthy workplace
- Ensure that workers are adequately trained. Keep written records of training
- Establish and maintain a comprehensive occupational health and safety program, including a written health and safety policy and an incident investigation procedure
- Support supervisors, safety coordinators, and workers in their health and safety activities
- Take action immediately when a worker or supervisor tells you about a potentially hazardous situation
- Initiate an immediate investigation into incidents, and immediately report serious incidents to WorkSafeBC
- Provide adequate first aid facilities and services
- Provide personal protective equipment as required

Supervisor responsibilities

- Instruct workers in safe work procedures
- Train workers for all tasks assigned to them, and check that their work is being done safely
- Ensure that only authorized, adequately trained workers operate tools and equipment or use hazardous chemicals
- Ensure that equipment and materials are properly handled, stored, and maintained
- Enforce health and safety requirements, and correct unsafe acts and conditions
- Identify workers with problems that could affect safety at the worksite
- Follow up with interviews and referrals where necessary
- Develop appropriate health and safety rules and inspect the workplace for hazards

Worker responsibilities

- Know and follow health and safety requirements affecting your job
- Use all personal protective equipment when and where required
- Don't assume you can do work you've never done before. Ask your employer for training so you know how to do it safely before you begin
- Always work safely and encourage your co-workers to do the same
- Immediately correct unsafe conditions or report them right away to your employer
- Immediately report any injury to a first aid attendant or supervisor
- If you have any doubts about your safety, talk to your employer. Take the initiative — make suggestions to improve health and safety at work

Worker rights

- Know about workplace hazards
- Participate in workplace health and safety activities
- Refuse unsafe work

For more information

If you have questions about workplace health and safety issues, call the Prevention Information Line at 604.276.3100 or toll-free within B.C. at 1.888.621.7233, or visit worksafebc.com and follow the link to Safety at Work, where you'll find resources that can be downloaded free of charge. You can also purchase safety publications and DVDs at worksafebcstore.com.